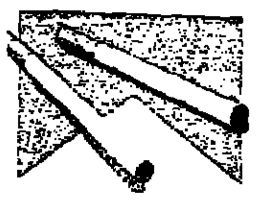

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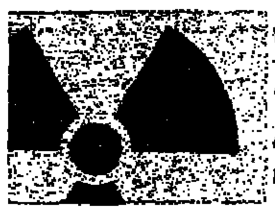

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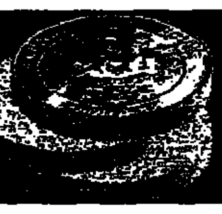

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FINANCIAL TIMES

Europe's Business Newspaper — TUESDAY JUNE 21 1994 — D8523A

Mediobanca holds over $940m rights issue

Mediobanca, merchant bank at the heart of Italian finance and industry, was last night forced to postpone its L1,500bn ($940m) rights issue after its share price fell by nearly 5 per cent in a day. The bank said it would "define a new timetable for the operation in the light of market developments". Page 19; World stocks, Page 40

Mazda-Ford talks: Mazda, Japanese carmaker, said negotiations had resumed after a year's break on possible European co-operation with US carmaker Ford. Page 18

Philip Morris chairman and chief executive Michael Miles has quit and been been replaced by two fellow-executives after his plan to split the US company into separate food and tobacco companies was rejected. Page 19; Lex, Page 18

Samper set to shift direction in Colombia:

Colombia's new president-elect Ernesto Samper, left, is likely to shift the emphasis of government economic policy after winning a narrow election victory over his conservative rival Andres Pastrana. The Liberal party leader told supporters he had received a "social mandate" – a reference to the priority he gave to increasing social investment. Page 6

S Korea sets out summit move: South Korea proposed a working-level meeting a week today with North Korea as the initial step in arranging the first summit between the leaders of the two countries. Page 18; Seoul signals end to curbs on Hyundai, Page 5

Iran bomb blast kills 25: At least 25 people were reported killed and another 70 injured by a bomb blast at a crowded prayer hall in Mashhad, north-eastern Iran. Page 5

Israeli soldiers ambushed: Three Israeli soldiers were killed in south Lebanon in a guerrilla attack on their patrol shortly after Israeli warplanes attacked Hizbollah guerrilla posts.

Ulster internment hint: Northern Ireland secretary Sir Patrick Mayhew gave his strongest hint that the UK government is considering internment without trial as part of its response to the latest upsurge in sectarian violence. Page 8

Bridge Oil battle heats up: The bidding war for Bridge Oil, Australian oil and gas group, intensified as Texas-based Parker & Parsley raised its offer from 70 to 80 cents a share – and was promptly outbid by another US group. Page 19

Challenge to Zantac grows: Canada's Novopharm became the second company to announce it would launch a generic version of the world's best-selling drug, ulcer treatment Zantac, which is made by the UK pharmaceutical company Glaxo. Page 20

Daf compensation: Bank creditors to Daf NV, the Dutch truckmaker which collapsed in 1993, have received nearly 90 per cent of what they were owed and are likely to be compensated in full. Page 20

Mitsubishi Oil of Japan announced the discovery of what could be a significant oil find off the coast of Vietnam. Page 4

Former Elders IXL executive Kenneth Jarrett has pleaded guilty to being part of an allegedly fraudulent A$66.5m ($48.8m) foreign exchange scheme involving staff of the Australian brewing and agriproducts group. Page 5

TB threat: Soaring death rates in former Soviet bloc nations from a resurgence of tuberculosis could pose a threat to western Europe, World Health Organisation specialists say.

Czech anti-corruption drive: The city of Prague and the Czech police will launch a drive next month to smash widespread bribe-taking in district and local council offices.

Beatles reunited: Former Beatles Paul McCartney, George Harrison and Ringo Starr have made a recording together for the first time since the group broke up 24 years ago, a producer at the group's Apple recording company said.

Wimbledon champion Pete Sampras kicked off this year's chase for a second consecutive title at the tennis championships with a 7-6 7-5 6-3 victory over fellow American Jared Palmer. Sporting life, Page 8

■ STOCK MARKET INDICES		
FT-SE 100:	2,971.1	(-51.8)
Yield	4.16	
FT-SE Eurotrack 100	1,306.43	(-43.91)
FT-SE-A All-Share	1,491.12	(-1.6%)
Nikkei	21,152.03	(-351.27)
New York lunchtime:		
Dow Jones Ind Ave	3,749.19	(-27.59)
S&P Composite	455.47	(-2.98)
■ US LUNCHTIME RATES		
Federal Funds:	4¼%	
3-mo Treas Bills: Yld	4.199%	
Long Bond	85¼	
Yield	7.445%	
■ LONDON MONEY		
3-mo Interbank	5¾%	(5⅛%)
Liffe long gilt future:	Jun 99½	(Jun 101)
■ NORTH SEA OIL (Argus)		
Brent 15-day(August)	$17.37	(17.16)
■ GOLD		
New York Comex (Aug)	$390.9	(393.7)
London	$390.4	(388.2)

■ STERLING		
New York lunchtime:		
$	1.5375	
London:		
$	1.5393	(1.5195)
DM	2.4606	(2.4765)
FFr	8.4999	(8.4489)
SFr	2.0752	(2.0824)
Y	156.957	(157.256)
£ Index	80.0	(same)
■ DOLLAR		
New York lunchtime:		
DM	1.6013	
FFr	5.47225	
SFr	1.3507	
Y	101.98	
London:		
DM	1.5986	(1.6299)
FFr	5.4636	(5.5605)
SFr	1.3482	(1.3705)
Y	101.97	(103.495)
$ Index	64.1	(64.9)
Tokyo close Y 102.58		

Austria	Sch32	Greece	Dr350	Lux	LFr65	Qatar	QR13.00		
Bahrain	Din1.250	Hong Kong	HK$18	Malta	Lm0.60	S.Arabia	SR11		
Belgium	BFr65	Hungary	Ft185	Morocco	MDh15	Singapore	S$4.30		
Bulgaria	Lw25.00	Iceland	IKr215	Neth	Fl 4.00	Slovak Rp	KSL50		
Cyprus	CC1.10	India	Rs60	Nigeria	Naira50	South Africa	R12.00		
Czech Rp	CZK50	Israel	Shk6.90	Norway	NKr17.00	Spain	Pta225		
Denmark	DKr16	Italy	L3000	Oman	OR1.50	Sweden	SKr18		
Egypt	E£5.00	Japan	Y500	Pakistan	Rs40	Switz	SFr3.30		
Finland	FM14	Jordan	JD1.50	Philippines	Pso50	Syria	S£50.00		
France	FFr8.50	Kuwait	Fils.625	Poland	Zl 32,000	Tunisia	Din1.500		
Germany	DM3.50	Lebanon	US$1.50	Portugal	Esc225	Turkey	L30000		
						UAE	Dh12.00		

US judges back California's unitary tax system

Supreme Court rejects challenge on assessing companies' income

By George Graham in Washington and Andrew Jack in London

The US Supreme Court yesterday rebuffed international pressure to outlaw California's controversial worldwide unitary system for assessing corporate income taxes, dismissing challenges brought by Barclays Bank of the UK and Colgate-Palmolive of the US.

Californian fiscal experts do not expect the state, which has introduced an opt-out, to force companies to use the unitary method, but British companies and tax professionals were concerned that the decision could prompt other US states or other countries to impose the system.

Under unitary assessment, tax is calculated on a proportion of a company's worldwide income instead of only on income earned in the state.

Justice Ruth Bader Ginsburg, in an opinion written on behalf of the 7-2 majority, said Barclays had not demonstrated that the tax discriminated against foreign commerce, nor that it imposed an undue compliance burden.

Mr Kenneth Clarke, the UK chancellor of the exchequer, said last night he was "disappointed" by the decision. "The government has always strongly opposed the imposition of worldwide unitary tax on UK-owned companies and supported Barclays throughout this litigation."

Mr Clarke warned that the UK would retain its retaliatory powers in case the US took any legislative steps that might harm UK companies.

The ruling embraced two actions, one by Barclays and another by Colgate-Palmolive, the US consumer products company, which challenged an earlier ruling that the unitary method could also be applied to US companies.

Barclays, which has waged a 17-year legal battle against the unitary tax system, expressed disappointment at the decision but said it was still "chewing over" the "very long and very detailed" text of the judgment.

The ruling comes as a huge relief to California which is in the middle of one of its perennial budget crises and had counted on a favourable decision. Although tax officials expect that only about $500m will actually be collected, the ruling also means California will not have to refund $1.4bn it has already taken in unitary taxes.

Although this conflicts with

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UK reaction marked by frustration, Page 7

Inflation and rate fears prompt hammering for stocks and bonds

World markets fall sharply

By Philip Coggan, Economics Correspondent, in London

World bond and stock markets took a hammering yesterday as concern about inflation and the direction of interest rates in the US and Germany continued to upset investors.

Sentiment in Europe and Asia was depressed by falls in the US bond and stock markets on Friday, which were prompted by a rise in the Commodity Research Bureau index and in gold and oil prices.

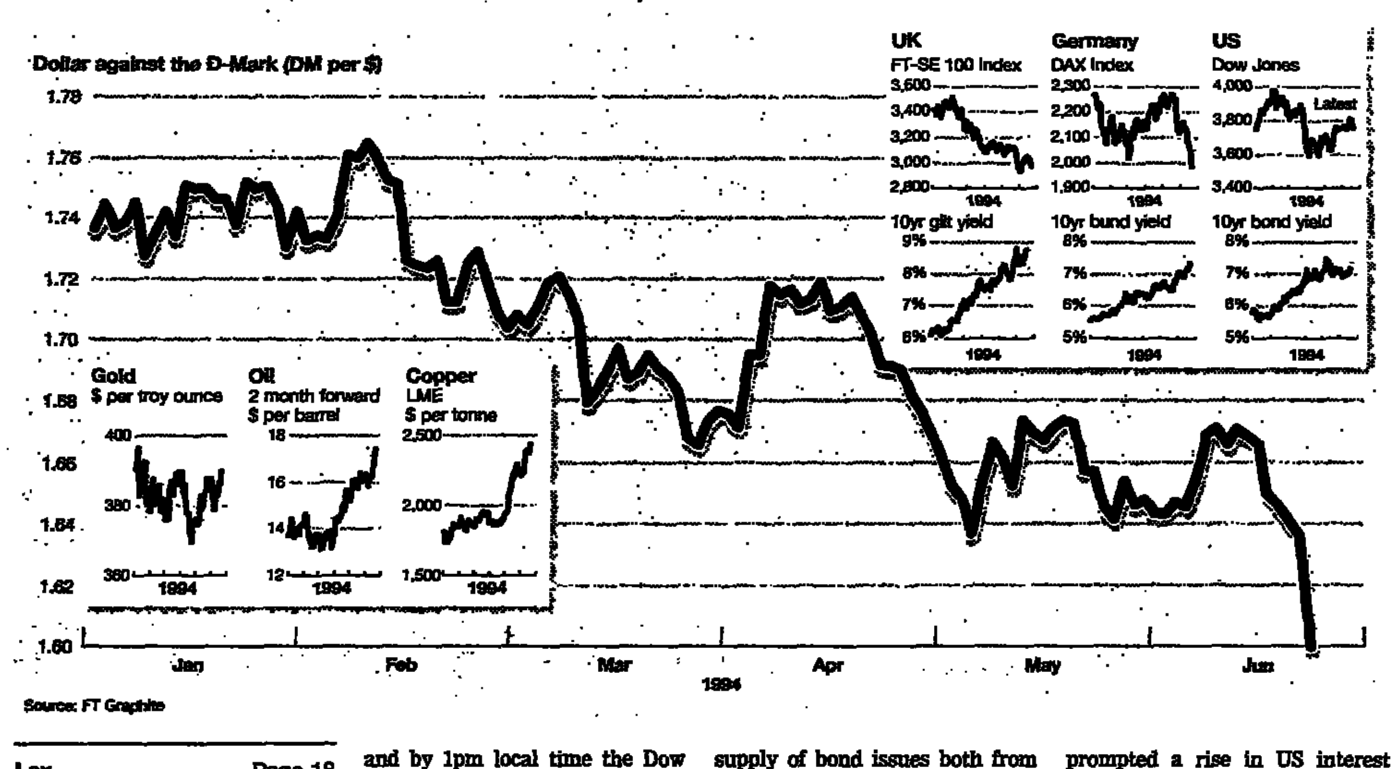
Those signs of inflationary pressure, allied to a weak dollar, increased fears that the US Federal Reserve might be forced to induce a further increase in interest rates.

The dollar was weak again yesterday, falling to DM1.5986 in London, down over a pfennig on yesterday's opening and three pfennigs lower than its closing level in London on Friday. Against the yen, the dollar fell in London to Y101.970 from Friday's Y103.495.

Analysts said that no single factor was responsible for yesterday's bond and equity declines. "It's like Chinese water torture," said Mr Edmond Warner, head of strategy and economics at Kleinwort Benson. "A drip, drip of poor sentiment has accumulated to wear down the markets."

Asian stock markets set the tone for the day with the Nikkei 225 index in Tokyo falling 351.27 points to 21,152.03, and in Hong Kong, the Hang Seng index dropped 115.78 points to 8,998.18.

In Europe, the German stock market suffered most with the DAX index plunging 81.9 points, or nearly 4 per cent, to close at 1,968.82. Shares in Italy also fell by 3.9 per cent and in Amsterdam, a 2.5 per cent drop left the AEX index at 382.84, a low for the year. Mediobanca, the Milan merchant bank, postponed its L1,500bn ($935.74m) rights issue after its share price fell by nearly 5 per cent.



Source: FT Graphite

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The pan-European Eurotrack 100 index closed 41.97 points lower at 1,308.37, a fall of 3.1 per cent.

In London, the FT-SE 100 fell 85.3 points to 2,937.6 at the day's low but recovered part of its losses to close at 2,971.1, down 51.8.

Wall Street also opened lower and by 1pm local time the Dow Jones Industrial Average was down 30.13 at 3,746.15, after a 34 point decline on Friday.

Despite a rally in the afternoon, European bond markets also had a bad day with UK, German and French bonds all falling by more than three-quarters of a point.

Yesterday's declines in stock and bond markets come towards the end of a half year which has seen little but bad news for holders of paper assets. US economic strength, allied to signs of recovery in Europe, have turned investors' attention towards physical assets such as copper.

With commodity prices rising, bond markets round the world have been hit by inflationary fears and by worries about the supply of bond issues both from governments and the private sector. Equity markets, which had risen alongside bonds in 1993, have fallen with them in 1994.

Analysts said some investors would be cutting their losses ahead of the half-yearly portfolio valuations at the end of June, so they could make a fresh start in the second half of the year.

Many investors entered 1993 in optimistic mood about the prospect for lower interest rates around the world.

But first the Federal Reserve prompted a rise in US interest rates in February and then the mood changed about the likely direction of German rates. "At the start of this year, the consensus was that German rates would fall and keep on falling into 1995," said Mr Peter Lyon, chief strategist at Smith New Court.

Now signs of economic recovery and still high money supply growth mean many analysts think German interest rates have reached a low, causing investors to favour the D-Mark over the dollar.

Battle over steel subsidies to go to EU court

By Andrew Baxter in London and Emma Tucker in Brussels

British Steel yesterday raised the stakes in its battle against state subsidies to its continental European rivals by announcing it plans to begin legal action later this week against the European Commission.

The company will ask the European Court to annul the Commission's authorisation of further state subsidies to two steelmakers, Ilva of Italy and CSI of Spain. The two companies received the lion's share of Ecu7bn ($8.1bn) of aid approved by European Union industry ministers in December and authorised by the Commission in April.

The move by British Steel steps up the pressure on the Commission, which has been widely criticised by unsubsidised producers for allowing subsidies that do not adhere to the strict rules of the steel aid code, part of the European Coal and Steel Community treaty.

Earlier this month, the European Independent Steel Works Association, which represents privately owned, independent steel producers, said it was also taking the Commission to the court over subsidies to state-

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British Steel lifts payout, Page 19
High-speed steels group rolls towards flotation, Page 21

European businesses urge state sell-offs to boost jobs

By Lionel Barber in Brussels

European business leaders called yesterday for a sweeping overhaul of the public sector, including privatisation of postal services, telecommunications, energy and transport, in order to increase competitiveness and tackle Europe's unemployment crisis.

In a move aimed at lobbying Europe's political leaders before this week's EU summit in Corfu, Unice, the employers federation, appealed to governments to set targets for cuts in public spending as a proportion of GDP and to take steps to reorganise the welfare state.

Mr François Perigot, the leading French industrialist and newly appointed Unice president, said it was time to reduce the burden of the state on business and roll back the public sector. "We have kept our eyes closed for 20 years. We can't go on like this."

The Unice report, *Making Europe More Competitive – Towards World Class Performance*, is the most detailed response by business to the white paper on competitiveness, jobs and growth launched last year by Mr Jacques Delors, president of the European Commission.

The report sets out several areas for action to shrink the public sector through deregulation and privatisation so that Europe can compete more effectively with the US and Asia:

- Reducing the cost of health care through the introduction of new "market type" mechanisms to match supply more closely to demand. That would involve bringing private companies into the health care market.
- Trimming the costs of pensions. That would provide a "basic" state pension for everyone who has worked, with an optional complementary pension financed by companies and/or individuals.
- Reducing the costs of unemployment benefits by limiting the period of entitlement and enforcing tougher eligibility criteria.
- Reducing the costs of sickness and disablement benefits, with responsibility for additional insurance transferred from the public sector to companies and individuals.

In addition, the report calls for more flexibility in European labour markets through reductions in minimum wage levels, lowering the costs of employing people, and reducing the cost of protection against dismissal. Unice also wants small business to be freed of bureaucratic regulation, both from Brussels and national capitals.

Mr Zgymunt Tyszkiewicz, Unice secretary-general, acknowledged that the recommendations implied a Europe moving towards US-style deregulation at the very moment when the Clinton administration was looking to the European social model for inspiration. He said: "We are both trying to learn from each other. We need adjustment on both sides," he said.

Mr Perigot said Unice was not advocating the dismantling of the welfare state – rather, it was urging political leaders to produce new incentives for companies and individuals to reduce their reliance on the state. There must also be "adequate" protection for the employed, and support for the low-paid and unemployed.

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EU risks Brussels presidency deadlock

By Quentin Peel and Lionel Barber

Fears were growing last night that this week's European summit in Corfu will be unable to break the deadlock over the succession to Mr Jacques Delors as president of the European Commission.

A stalemate risks putting Europe's political leaders on a collision course with the new European Parliament which had hoped to scrutinise the choice of Commission president at its opening session next month.

It would also be a sharp diplomatic setback for the outgoing Greek presidency of the Union.

Prospects of a deadlock have increased in recent days as Mr Ruud Lubbers, the Dutch prime minister and one-time favourite, has refused to bow to Franco-German pressure in favour of Mr Jean-Luc Dehaene, the Belgian prime minister, who formally entered the race last Friday.

Germany, which takes over the presidency of the EU on July 1, now appears to take a relaxed view of the danger of reaching a deadlock on issue at Corfu.

Senior German government officials now believe such an outcome may be inevitable, even if regrettable, and are preparing for the possibility of having to call an emergency summit.

This would probably take place in the early autumn.

"The federal government hopes that (the summit) succeeds in deciding the question," Mr Dieter Vogel, the German government spokesman, said.

"If not, we will have to do it later. It is important that we decide this soon." Senior diplomats in Brussels, Madrid and London agreed that it was unlikely that Greece would be able to broker a compromise during the Corfu meeting.

Mr John Major, the UK prime minister, was also said to be unwilling to drop Sir Leon Brittan, chief EU trade negotiator, in favour of Mr Dehaene.

Mr Antonio Martino, the Italian foreign minister, who was in Bonn yesterday for talks with Mr Klaus Kinkel, his German counterpart, also said later that he thought a deadlock on the Commission presidency was probable.

He did not think it would be "a great drama" if a special summit had to be called to decide on the presidency in the autumn.

The German government has hitherto expressed concern that everything should be done correctly by the member states to respect the new powers of the European parliament, which intends to put the future Commission president, and his individual commissioners, through a parliamentary vetting and approval procedure.

This would mean not only submitting the candidacy of the president at the earliest possible opportunity, but also the names of his commissioners.

For Germany in particular, with a general election in October, it is politically difficult to finalise the names of commissioners at an earlier date.

The proposed solution was to nominate one from Mr Kohl's Christian Democratic Union, and one from the opposition Social Democratic party, to ensure a balance whichever party wins the German election.

Thus the prospect of deadlock in Corfu, and a special EU summit in Germany in September, could have a twin advantage for Chancellor Kohl.

It would provide him with an additional opportunity to play the international statesman before the Germans go to the polls on October 16.

It also would mean that a decision on the German commissioners might reasonably be left until the election result is beyond doubt.

Germany spells out Europe vision

By Quentin Peel in Bonn

The European Union must take another big step in 1996 towards a federal future, under strict democratic control, and with clearly defined powers, a top-level German think-tank urged yesterday.

It set out an agenda for the inter-governmental conference which is intended to complete the work of the Maastricht treaty, and lay the foundations for an expansion of the EU to include member states in central and eastern Europe.

In a report which reflects widespread thinking at the highest levels of the German government, the group spelt out proposals for a bi-cameral system which would put the European parliament and the European council of ministers on an equal footing.

Such an idea would almost certainly pit the German government against the UK and France, which have strenuously resisted any effort to give the European parliament equal powers to the council.

At the same time the report called for precise definition of the competences which should be exercised at European level, and those which should be maintained by national governments, in an effort to curb the process towards centralisation in the Union.

The experts involved in the report include Mr Joachim Bitterlich, who is Chancellor Helmut Kohl's personal adviser on foreign affairs and above all a specialist on European affairs, Prof Ernst Benda, former president of the federal constitutional court in Karlsruhe, and Prof Werner Maihofer, former federal interior minister.

Their aim is to start a debate now, on the eve of the German presidency of the EU, and well before the 1996 deadline for the next inter-governmental conference on the EU, which is supposed to complete the work of the Maastricht treaty.

In spite of their determination both to resolve the conflict between European integration and the preservation of national identity, and to resist the trend to European centralisation, their federal vision seems certain to arouse hostility from anti-federalists, above all in countries such as Britain, Denmark and France.

The self-styled European structural commission, financed by the wealthy and influential Bertelsmann foundation, says the greatest challenge for the EU is to win public acceptance for a European system, which must be simplified, more transparent, more democratic, and more strictly controlled than hitherto.

The experts admit that the Maastricht treaty underlined the widespread public fear over an excessively centralised and bureaucratic EU. It also represented the high water mark for the transfer of sovereignty to Brussels, they suggest.

"Europe cannot be built against the interests of its nations," they said. "But the opposite is also true: without problem-solving at a European level, national interests cannot be protected."

The authors stop short of any suggestion of a two-speed or multi-speed EU, saying that such a solution would only be necessary only if there was a big expansion of the current (enlarged) membership.

It calls for a new single European treaty to combine the existing three-treaty basis of the European Community and the European Union.

Chancellor Helmut Kohl and Mr Dieter Schulte, the new chairman of the German trade union federation – pictured right – met yesterday with other European trade union leaders to discuss Germany's forthcoming presidency of the European Union, writes Quentin Peel in Bonn. Mr Kohl promised that plans for EU-wide works' councils in multinational companies would be a priority, along with measures to fight unemployment and promote faster growth.

The union leaders called for promotion of further measures on social protection, including for part-time workers, and to ensure that trade liberalisation was accompanied by provisions for better social standards in low-wage cost countries. The unions are concerned at Bonn's stress on deregulation and greater flexibility in labour markets as a principal way of creating jobs.

Twelve agree policy on foreign workers

By David Gardner in Luxembourg

European Union justice and interior ministers agreed yesterday on a joint approach to keeping foreign workers out of the EU, and that no member state should relax this policy without reference to its partners.

At the same time, the ministers shelved discussion on a European Commission proposal that non-EU nationals legally resident in one member state should be able to seek work in other member states, a central Brussels proposal to help integrate foreign workers.

The ministers, operating under the so-called "third pillar" of the Maastricht treaty – concerning home and justice affairs – noted that none of the 12 was pursuing an active immigration policy.

Yesterday's move was therefore a first step towards ensuring that all member states were going about barring entry to foreign workers in compatible ways.

Mr Louis Tobback, the Belgian interior minister, warned the measure would project an image of "Fortress Europe" to the world. But Belgium joined its partners in unanimous agreement, confining its reservations to a statement in the minutes.

The Luxembourg meeting also voted to go ahead with a feasibility study on setting up a so-called EURODAC network. This is a long-mooted system for finger-printing asylum-seekers and suspected illegal immigrants at point of entry. The information would then be circulated among member states to enable them to detect illegal immigrants travelling inside the supposedly border-free EU.

The Belgian interior minister warned the measure would project an image of "Fortress Europe"

A contract to study how best to set up the system was awarded yesterday to an international consortium made up of Bossard Consultants, Team Consult, and Organotecnica. Yesterday's restrictions "may not be relaxed by member states in their national legislation", which must conform to them by January 1996, the resolution states.

There are several exemptions from the harmonisation principles.

These cover nationals of European Free Trade Association countries that are party to the European Economic Area free trade zone which came into effect this year; refugees and asylum applicants; personnel transferred within companies operating in the EU; investors; and a range of people covered by "youth exchange" schemes ranging from au pairs to training programmes.

● Mr Jurgen Storbeck was confirmed by yesterday's meeting as the head of the Europol anti-drugs squad, the only unit the Europol cross-border police so far operating.

The force is being set up by the 12 to combat organised crime within the border-free internal market. The appointment places the German policeman as likely future head of Europol as a whole.

Delors rekindles Elysée ambitions

By Lionel Barber in Brussels

Mr Jacques Delors, president of the European Commission, is in two minds about entering the race to succeed Mr François Mitterrand as president of France.

For at least 12 months, Mr Delors, 68, has disavowed presidential ambitions. The battle to ratify the Maastricht treaty on European union drained him. He has shown more interest lately in a retirement devoted to intellectual pursuits. "I've been working for almost 48 years," he has said, "it's time to hand over to the younger generation."

The resignation of Mr Michel Rocard as head of the French Socialist party changes the picture. Mr Delors has always made clear that he would not run against Mr Rocard and split the Socialist party. Mr Rocard's defeat in a vote of confidence at the weekend thus removes a precondition for an attempt on the presidency.

It does not, however, answer the question of whether Mr Delors really has his eye on the Elysée Palace after 10 years in the top Commission post in Brussels – period in which he has helped to set the political agenda for the Continent. Those close to Mr Delors believe that he would find it difficult to resist a call from the Left to become presidential candidate, especially if there was no-one of stature to challenge either Mr Edouard Balladur, prime minister, or Mr Jacques Chirac, the Gaullist leader, on the Right.

Most likely, Mr Delors would seek to avoid being candidate of the Socialist party alone (he prides himself on cross-party appeal with his Christian socialist credentials and fiscal orthodoxy). He would be in a strong position to dictate terms to his party comrades.

One worry is how he would react to a presidential campaign. Mr Delors is notoriously thin-skinned about criticism. No wonder aides were stressing yesterday that Mr Delors would serve out his final term until January 5, 1995. It keeps him in his Brussels power-base, storing up energy for what would have to be a short, sharp campaign.

French Socialists make left turn

John Ridding reports on the choice of Mr Henri Emmanuelli as the new party leader

Mr Henri Emmanuelli, a blunt, orthodox socialist, will need all his reputed toughness as he tackles his new task. Elected as provisional leader of the French Socialist party on Sunday, following the resignation of Mr Michel Rocard, he inherits a party deep in crisis, facing an uphill struggle to forge unity and win back disenchanted voters.

His election represents a shift to the left by the Socialists as they seek to rebuild from a hammering in this month's European elections and to recover in time for next year's presidential election. Mr Rocard, defeated in a vote of confidence which he had called following his party's meagre 14.5 per cent support in the European polls, himself admitted that the party suffered from "uncertain political and strategic positions, confirmed isolation, and an absurd means of operation".

Mr Emmanuelli's task will be to try and overcome the divisions in the party while it addresses its problems and searches for a credible candidate for next year's presidential poll. After defeating Mr Dominique Strauss-Kahn, a former industry minister, by 140 votes to 64, Mr Emmanuelli said it was necessary to consult with militants in the party to ensure cohesion. "The error of the Socialist party has been that it has been unable to position itself to defend the workers against the threats they face concerning labour protection and social security," he said, demonstrating his left-wing credentials.

A former president of the National Assembly, the 49-year-old Mr Emmanuelli, started his career at the Banque d'Edmond de Rothschild in 1969. The deputy for Landes in south-western France has since established a reputation as an uncompromising figure within the Socialist party. "He holds very strong views and is a tough opponent," says one party official.

This reputation could complicate his task of steering the Socialists through a delicate transition period. He may be helped, however, by the fact that he is not considered a presidential candidate in his own right. Party officials said he will head the party until a party congress is held, due by the end of the year, and until a presidential candidate can be decided.

Mr Jacques Delors, the president of the European Commission, is clearly favoured by many within the party. A CSA poll published on Saturday suggested that 74 per cent of Socialist supporters want the former finance minister as their presidential candidate. This is partly because other recent polls have indicated that Mr Delors would offer the strongest challenge to the probable candidates of the right – Mr Jacques Chirac, head of the Gaullist RPR party, and Mr Edouard Balladur, prime minister and head of the centre-right coalition.

Mr Laurent Fabius, the former Socialist prime minister and bitter rival of Mr Rocard, said on Saturday that Mr Delors was the person "best placed" to lead the Socialists into April's presidential contest. Mr Delors, however, has remained enigmatic on his possible return to French politics. Nor is he the only potential candidate. Mr Jack Lang, the former culture minister, has expressed his interest in standing for the presidency.

Whoever emerges as the presidential candidate, the daunting challenges facing Mr Emmanuelli and his colleagues are already clear. In addition to the factionalism that has long bedevilled the party and which erupted with a vengeance last weekend, there is the equally fundamental problem of restoring the party's tarnished image.

The disenchantment with the Socialists, and their weak appeal to young voters, were clearly demonstrated in the European elections. The Mouvement des Radicaux de Gauche, headed by the charismatic but beleaguered businessman Mr Bernard Tapie, won 12.3 per cent of the vote, largely at the expense of the Socialists.

Whoever runs on the left may need at least the tacit support of Mr Tapie. The backing of President François Mitterrand would also be valuable. Many French commentators see Mr Rocard's downfall as the result of a long-running feud with the president. This sentiment was expressed in a front-page cartoon in Le Quotidien which showed Mr Mitterrand being presented with Mr Rocard's head on a plate.

Henri Emmanuelli has inherited a Socialist party in crisis AP

INTERNATIONAL ECONOMIC INDICATORS: BALANCE OF PAYMENTS

Trade figures are given in billions of European currency units (Ecu). The Ecu exchange rate shows the number of national currency units per Ecu. The nominal effective exchange rate is an index with 1985=100.

■ UNITED STATES

	Exports	Visible trade balance	Current account balance	Ecu exchange rate	Effective exchange rate
1985	279.8	−174.2	−162.5	0.7623	100.0
1986	230.9	−140.6	−152.7	0.9838	80.2
1987	220.4	−131.9	−145.0	1.1531	70.3
1988	272.1	−100.0	−107.3	1.1848	66.0
1989	330.0	−99.2	−92.2	1.1025	69.4
1990	308.9	−79.3	−72.1	1.2747	65.1
1991	340.7	−53.5	−6.7	1.2383	64.5
1992	345.6	−64.0	−51.2	1.2965	62.9
1993	397.5	−98.9	−93.4	1.1697	65.6
2nd qtr.1993	95.4	−25.4	−22.6	1.2056	64.3
3rd qtr.1993	99.6	−27.2	−24.6	1.1429	65.4
4th qtr.1993	107.6	−24.5	−27.7	1.1387	66.4
1st qtr.1994	107.0	−28.7		1.1249	66.8
May 1993	31.9	−6.9	n.a.	1.2190	63.9
June	31.9	−10.2	n.a.	1.1796	64.5
July	32.7	−9.2	n.a.	1.1336	65.9
August	33.9	−9.0	n.a.	1.1211	65.7
September	33.1	−9.0	n.a.	1.1739	64.7
October	34.7	−9.4	n.a.	1.1567	65.5
November	35.6	−8.6	n.a.	1.1302	66.6
December	37.4	−6.5	n.a.	1.1291	67.0
January 1994	35.3	−9.1	n.a.	1.1149	67.5
February	34.0	−10.7	n.a.	1.1211	66.7
March	37.7	−8.9	n.a.	1.1387	66.1
April			n.a.	1.1413	66.0

■ JAPAN

	Exports	Visible trade balance	Current account balance	Ecu exchange rate	Effective exchange rate
1985	230.8	76.0	64.5	180.50	100.0
1986	211.0	98.2	87.0	165.14	124.4
1987	197.5	86.2	75.4	166.44	133.2
1988	218.5	80.6	66.6	151.70	147.3
1989	245.1	70.4	52.5	151.98	141.9
1990	220.0	50.0	28.2	183.97	126.0
1991	247.5	83.1	82.9	166.34	137.0
1992	254.6	101.6	89.9	164.16	142.9
1993	300.2	120.9	111.7	130.22	173.8
2nd qtr.1993	73.4	28.6	26.2	132.62	172.4
3rd qtr.1993	79.2	32.3	28.2	120.74	183.7
4th qtr.1993	75.6	30.3	26.9	123.18	180.2
1st qtr.1994	80.9	32.7	28.6	121.00	182.5
May 1993	23.5	9.4	8.4	134.47	171.0
June	25.4	9.1	8.0	126.58	178.2
July	26.7	11.3	9.7	122.09	181.1
August	26.6	10.3	9.1	116.38	188.2
September	25.9	10.7	9.4	123.75	181.8
October	24.9	9.8	8.9	123.71	180.4
November	25.1	9.9	8.8	121.88	181.8
December	25.7	10.6	9.2	123.96	178.5
January 1994	27.0	11.4	10.1	124.14	177.0
February	26.7	11.2	9.8	119.06	185.2
March	27.1	10.1	8.7	119.80	185.3
April	27.6	11.3	10.9	118.09	188.6

■ GERMANY

	Exports	Visible trade balance	Current account balance	Ecu exchange rate	Effective exchange rate
1985	242.7	33.2	21.7	2.2260	100.0
1986	248.3	53.3	40.3	2.1283	108.8
1987	254.5	56.7	39.8	2.0694	115.3
1988	272.1	61.4	42.8	2.0765	114.6
1989	310.1	65.2	52.2	2.0696	113.5
1990	324.3	51.5	36.9	2.0540	119.1
1991	327.7	11.2	−15.7	2.0466	117.7
1992	330.4	16.8	−17.0	2.0201	121.2
1993	310.5	30.0	−18.2	1.9323	124.6
2nd qtr.1993	75.2	7.6	−3.1	1.9508	124.0
3rd qtr.1993	76.7	6.2	−8.7	1.9156	123.9
4th qtr.1993	81.7	11.7	−3.0	1.9159	124.8
1st qtr.1994			−4.2	1.9379	122.4
May 1993	24.5	2.9	−1.3	1.9584	124.1
June	25.2	2.8	0.7	1.9496	122.6
July	24.2	2.2	−4.0	1.9439	122.0
August	26.6	2.1	−3.0	1.9014	123.6
September	25.9	1.9	−1.6	1.9015	126.1
October	27.5	4.2	−1.9	1.8945	126.2
November	27.3	4.0	0.6	1.9217	124.5
December	26.9	3.5	−1.6	1.9314	123.7
January 1994	26.0	3.4	−1.3	1.9432	122.2
February	27.3	3.1	−2.4	1.9444	121.8
March			−0.5	1.9261	123.2
April				1.9363	122.6

■ FRANCE

	Exports	Visible trade balance	Current account balance	Ecu exchange rate	Effective exchange rate
1985	133.4	−3.6	−0.2	6.7944	100.0
1986	127.1	0.0	3.0	6.7960	102.8
1987	128.4	−4.6	−3.7	6.9209	103.0
1988	141.7	−3.9	−3.4	7.0440	100.8
1989	162.6	−6.3	−3.6	7.0221	99.8
1990	170.1	−7.2	−7.2	6.9212	104.8
1991	175.5	−4.2	−4.9	6.9598	102.7
1992	182.4	4.6	2.9	6.8469	106.0
1993	177.8	12.9	8.9	6.6234	108.3
2nd qtr.1993	44.4	3.2	1.4	6.6045	109.7
3rd qtr.1993	44.7	3.4	3.5	6.6425	106.4
4th qtr.1993	45.6	4.2	3.5	6.6422	107.3
1st qtr.1994	46.0	2.4	2.3	6.5910	108.0
May 1993	15.1	1.58	2.08	6.6796	109.8
June	14.6	0.61	−0.42	6.5637	108.9
July	15.2	1.70	1.27	6.6218	107.0
August	14.4	0.39	1.27	6.6525	105.3
September	15.1	1.29	1.00	6.6532	107.0
October	14.8	1.03	1.17	6.6457	106.9
November	15.0	1.19	0.02	6.6780	106.8
December	15.6	2.02	2.37	6.6050	108.2
January 1994	15.1	0.30	2.44	6.6015	107.9
February	15.0	0.73	−0.64	6.6064	107.6
March	15.9	1.36	0.51	6.5651	108.3
April	15.4	1.15		6.6403	107.1

■ ITALY

	Exports	Visible trade balance	Current account balance	Ecu exchange rate	Effective exchange rate
1985	103.7	−16.0	−5.4	1443.0	100.0
1986	99.4	−2.5	−1.4	1461.9	101.4
1987	100.8	−7.5	−2.1	1493.1	101.2
1988	106.1	−8.9	−8.0	1538.6	97.8
1989	127.7	−11.3	−17.0	1510.3	98.6
1990	133.6	−9.3	−18.0	1523.4	100.6
1991	137.1	−10.5	−17.7	1530.3	98.9
1992	137.8	−8.0	−20.6	1592.8	95.7
1993	144.4	17.9	6.2	1835.4	79.6
2nd qtr.1993	38.7	3.9	1.7	1812.1	81.2
3rd qtr.1993	34.2	6.1	3.2	1810.8	79.8
4th qtr.1993	40.9	7.1	3.9	1879.6	77.0
1st qtr.1994				1893.6	76.2
May 1993	12.4	1.2	0.8	1797.5	82.2
June	12.5	1.6	0.8	1772.4	82.5
July	14.7	4.4	2.8	1794.8	80.8
August	7.8	0.8	0.3	1797.9	79.7
September	12.0	0.9	0.1	1839.9	78.9
October	13.3	2.3	2.0	1850.1	78.2
November	12.4	1.7	1.6	1884.1	77.0
December	15.2	3.1	0.4	1904.8	76.1
January 1994			−0.7	1854.2	76.2
February				1888.5	76.4
March				1898.1	75.9
April				1854.8	78.0

■ UNITED KINGDOM

	Exports	Visible trade balance	Current account balance	Ecu exchange rate	Effective exchange rate
1985	132.4	−5.7	3.8	0.5890	100.0
1986	108.3	−14.2	−1.3	0.6708	91.6
1987	112.3	−16.4	−7.1	0.7047	90.1
1988	120.9	−32.3	−25.0	0.6643	95.5
1989	137.0	−36.7	−33.5	0.6728	92.6
1990	142.3	−26.3	−25.6	0.7150	91.3
1991	147.7	−14.7	−10.9	0.7002	91.7
1992	145.5	−18.2	−13.5	0.7359	88.4
1993	155.3	−17.6	−14.0	0.7780	80.2
2nd qtr.1993	37.7	−4.2	−4.2	0.7862	80.2
3rd qtr.1993	40.3	−4.2	−2.5	0.7806	81.0
4th qtr.1993	40.2	−4.7	−3.1	0.7695	81.1
1st qtr.1994	41.7	−4.1		0.7554	81.3
May 1993	12.6	−1.3	n.a.	0.7856	80.5
June	12.9	−1.3	n.a.	0.7837	79.6
July	13.1	−1.6	n.a.	0.7585	81.3
August	13.9	−0.5	n.a.	0.7545	81.0
September	13.3	−1.8	n.a.	0.7685	80.8
October	13.6	−1.2	n.a.	0.7712	80.4
November	13.2	−1.6	n.a.	0.7620	81.0
December	13.4	−1.9	n.a.	0.7573	81.7
January 1994	14.2	−1.4	n.a.	0.7456	82.4
February	13.8	−1.2	n.a.	0.7567	81.0
March	13.6	−1.5	n.a.	0.7649	80.5
April			n.a.	0.7673	80.0

Due to the introduction of the Single Market, EC countries are currently changing to a new system of compiling trade statistics. All trade figures are seasonally adjusted, except for the Italian series and the German current account. Imports can be derived by subtracting the visible trade balance from exports. Export and import data are calculated on the FOB (free on board) basis, except for German and Italian imports which use the CIF method (including carriage, insurance and freight charges). German data up to and including June 1990, shown in italics, refer to the former West Germany. The nominal effective exchange rates are period averages of Bank of England trade-weighted indices. Data supplied by Datastream and WEFA from national government and central bank sources.

Solvent emission cut may hit output, warns Saab

By Hugh Carnegy in Stockholm

Saab Automobile, the Swedish car maker, warned yesterday it would cut production and slide back into losses if it was forced to meet demands that it sharply reduce solvent emissions from the paint shop at its manufacturing plant in the city of Trollhättan.

Environmentalists are calling on the state body which sets industrial pollution limits to force Saab, jointly owned by General Motors of the US and Sweden's Saab-Scania, to adjust immediately to solvent emission levels of 550 tonnes a year officially set for its plant instead of the concessionary limit of 850 tonnes Saab currently operates within.

"If we cannot get a deferral we must reduce our production drastically to stay under the emission limit, which would lead to a loss this year," Mr Peter Möller, Saab's development and production chief told a public hearing held by the Concessions Authority.

The authority, which is also considering emission levels for Volvo, Saab's Swedish rival, said it would rule on the issue in August. Swedish companies face some of the toughest environmental regulations in Europe. The big forestry industry has been forced to spend heavily on reducing effluent emissions over the past decade.

Saab is on target to make a profit this year for the first time in six years thanks in large part to the success of its new 900 model launched in 1993. But this depends on increasing production significantly. Total unit sales, the vast majority produced at Trollhättan, are projected to rise to more than 90,000 in 1994 from 73,600 last year.

The company is planning a SKr1bn (£84m) investment to install a water-based paint factory which will bring solvents emissions down to the government target of 275 tonnes a year by 2000. But it insists it cannot bring down emissions immediately without slowing or stopping production.

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EUROPEAN NEWS DIGEST

Romania moves on new law to return property

The Romanian Senate yesterday passed a controversial property law, granting limited restitution rights to former owners of around 250,000 residential properties confiscated after 1945 by the former communist regime.

Under the bill, which must be passed by the lower house before becoming law, former owners or their descendants may only claim back properties they still live in as tenants. Those living elsewhere or with more than one confiscated residence can claim cash compensation up to the equivalent of the annual average salary for the past 20 years. Funds for compensation will come from sales to tenants of unclaimed properties. The proposed law will only compensate Romanian citizens resident in the country.

Former owners living abroad will have six months in which to return to Romania and register their claims. Centre-right opposition parties, which boycotted the debate and voting on the law, said the bill violated property rights enshrined in the constitution. The National Peasants party, the main opposition grouping, said it would challenge the bill in the constitutional court if, as expected it becomes law.

The opposition and former owners' groups say the move favours former communists living in confiscated properties, who under the bill will be able to buy their homes for a fraction of their market value. *Virginia Marsh, Bucharest.*

EU splits Finnish government

A dispute over Finland's move to join the European Union yesterday split the centre-right coalition for the first time since it took office in 1991 as the anti-EU Christian party pulled out of the government.

But the remaining three government parties, led by the Centre party of the prime minister, Mr Esko Aho, retained an absolute majority with 108 seats in the 200-seat parliament, despite losing the backing of the seven Christian party MPs. The coalition, now comprised of the Centre party, the Conservative party and the Swedish People's party, went ahead yesterday with the formal ratification of Finland's agreement on the terms of accession with the EU following approval at a special conference of the Centre party at the weekend. A similar meeting of the Christian party rejected EU membership, forcing the leadership to withdraw from the coalition in which Mr Toimi Kankaanniemi, its leader, was minister for overseas aid. *Hugh Carnegy, Stockholm.*

Palermo mayor refuses to quit

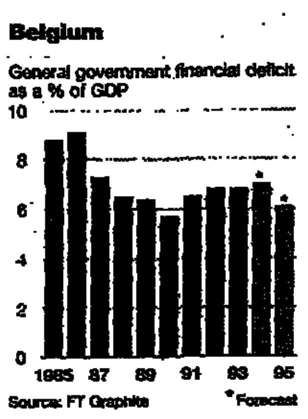
Mr Leoluca Orlando, the leader of the Sicily-based reformist movement La Rete (Network), has refused to resign as mayor of Palermo following the announcement last week he was under investigation for alleged abuse of office. He told Palermo city council yesterday he would not step down but agreed to waive his immunity as a member of the European Parliament. His position contrasted sharply with his demands that politicians under investigation resign immediately. The investigation relates to his previous period in the 1980s as Christian Democrat mayor of the city and concerns delays in restoring Palermo's opera house, the Teatro Massimo. The saga of the opera house is one of Sicily's better known instances of bungling officialdom. It has been closed since 1974 when it was declared unsafe. So far L65bn (£26.7m) has been spent intermittently on restoration but at least a further L32bn is required. *Robert Graham, Rome.*

Poles lose enthusiasm for vote

Voter turnout for Poland's local government elections on Sunday was between 25 per cent and 30 per cent, the lowest level since the fall of communism. Only hard-core supporters of the political parties bothered to turn out to vote for the 52,173 local government seats. Exit polls mirrored last autumn's parliamentary poll, showing the ruling coalition PSL farmer's party doing well in the countryside. Its former communist partner in government, the SLD, maintained its position in the towns and received around one-third of the vote. The opposition Freedom Union, a centrist group which led the last government also won up to a third of the urban vote leaving the rest to disparate, fervently anti-communist, right-wing groups. *Christopher Bobinski, Warsaw.*

ECONOMIC WATCH

Belgian optimism on deficit



Belgium is on course to meet this year's target for the public sector deficit of 5.7 per cent of gross domestic product, Mr Philippe Maystadt, the finance minister, said yesterday. Presenting the Treasury's seventh annual report on the public deficit, Mr Maystadt said he was confident the federal government would be able to stick to its goal, even though it was too early to say how well Belgium's three regional governments had performed. Mr Maystadt also announced that Belgium was to introduce a new clearing system that would enable private retail investors to hold government Treasury bills and linear bonds (OLOs), previously only held by banks and institutional investors. Individuals would be allowed to hold the debt instruments in a special bank account. The report said that consolidated debt represented 66.6 per cent of the federal government's total debt at the end of May this year, compared with 69.5 per cent a year earlier. *Emma Tucker, Brussels.*

■ Sweden's May trade surplus rose to SKr5.5bn (£462m) from SKr4.5bn a year earlier, the Central Bureau of Statistics said yesterday. Analysts polled by Reuters had forecast a SKr6.7bn surplus.

■ Registered businesses in Hungary rose to 92,314 in May from 91,004 in April, the Central Office of Statistics said.

Baltic states' varied roads to freedom

Philippe Legrain reviews the economic records of Estonia, Latvia and Lithuania since independence

When Estonia flouted the International Monetary Fund's advice and ditched the Russian rouble, its leaders did so in the conviction that a stable national currency was a cornerstone of their country's hard-won independence. But two years on, their initial success – inflation was held to 36 per cent last year compared with nearly 1,000 per cent in Russia – has been undermined by recent price surges.

Latvia's consistently better inflation record underscores Estonia's setback and has called into question its northern neighbour's approach to monetary policy. The Bank of Latvia, while allowing the lat to float, has adopted a "strong lat" policy and maintains high interest rates to stamp out inflationary pressures. Estonia, on the other hand, runs a currency board-like system which leaves policy on "autopilot". The kroon, which is pegged to the German D-Mark, is fully backed by foreign currency reserves whose ebbs and flows determine the size of the money stock.

Large capital inflows, fuelled by foreign aid and investment and balance of payments financing, have sent Estonia's money supply rising fast. Consequently, inflation has shot back up to an annualised 66 per cent in the three months to May, compared with 20 per cent in Latvia.

Renewed inflation has also increased the kroon's overvaluation, sucking in imports and stunting export growth. Estonia's trade deficit widened to EEK1.3bn (£66m) in the first three months of this year, equivalent to a third of export volume or about 20 per cent of estimated first quarter gross domestic product.

Latvia's consistently better inflation record has underscored Estonia's setback and called into question its northern neighbour's stable currency approach, seen as the cornerstone of its hard-won liberty

By contrast, thanks to its superior inflation performance, the lat has not appreciated as much in real terms as the kroon and Latvia's current account has remained in surplus – $125m last year, equivalent to 5.7 per cent of GDP.

Despite these drawbacks, a recent study by Professor Jeffrey Sachs of Harvard University and Mr Ardo Hansson of the Bank of Estonia defends the currency board system, arguing that it gives the kroon much needed credibility. The authors point to the shift in trade from east to west – Finland has replaced Russia as Estonia's main trading partner – to back up their case.

But Latvia has achieved a similar re-orientation. Although Russia is still its main trading partner, like Estonia's, about a quarter of its trade is with Russia.

On April 1 the third Baltic republic of Lithuania, often considered the laggard in economic reform, plumped for the Estonian way. After a furious debate involving accusations of betraying the motherland, the government pegged the newly-issued litas to the US dollar. Inflation had stabilised at an annualised rate of 36 per cent in the three months before the decision. Lithuania recorded a 300m litas ($75m) deficit last year and trade remains angled towards former Soviet republics.

Growth prospects for all three countries remain murky. Although industrial output growth is still flat, the Baltic states are hoping for growth this year for the first time since regaining their independence in August 1991. Estonia seems to have the edge but evidence is patchy.

Estonia has also led the way in attracting foreign investment. Finnish and Swedish companies have piled in more than half the EEK906m – equivalent to 4.3 per cent of GDP – that flowed into the small country last year.

Latvia is catching up, having overcome a legislative logjam which led prospective investors to delay committing funds. While only about $60m (2.7 per cent of GDP) was invested in Latvia in 1993, $100m is expected this year, according to the Latvian Development Agency. The UK-based multinational Cable & Wireless and Telecom Finland have announced a $1.3bn plan to modernise Latvian telecoms, $40m of which has already been invested. Kellogg, the US breakfast cereals giant, has set up a $22m plant near the capital Riga.

Sachs: points to trade shift

Lithuania has attracted little foreign investment to date but is furthest down the privatisation road. More than two thirds of the companies slated for sale have been privatised, and more than half the workforce is now in the private sector. However, allegations of corruption and of Soviet-era "red directors" buying their companies on the cheap have nearly halted the process.

Estonia has opted for the East German model, having set up a privatisation agency modelled on the Treuhandanstaldt. Of more than 500 earmarked for sale, 52 companies had been sold by the start of the year, with a new wave of auctions under way. But the volume of receipts ($34m) and impact on the economy have so far been minimal.

Privatisation has barely got off the ground in Latvia. A quarrel between the newly set up privatisation agency and government ministries over responsibility for the sell-offs and whether to opt for hard currency or voucher sales has hindered progress. Although Latvia aims to sell about 200 companies a year, only 85 out of a list of 703 have actually changed hands so far.

Production of about 130,000 barrels a day expected

Japan strikes Vietnam oil

By Robert Corzine

Mitsubishi Oil of Japan yesterday announced the discovery of what could be a significant oil find off the coast of Vietnam, an area which has proved disappointing for a number of international oil companies.

The find was in shallow water near the mouths of the Mekong River, well away from disputed areas further offshore. The exploration block, known as 15-2, is adjacent to the Bach Ho, or White Tiger field, which produces about 130,000 barrels a day.

Officials yesterday said they "strongly expect that the discovery will ... lead to production on a similar scale to the Bach Ho field." Oil from the newly discovered well is also expected to be of a similarly high quality, the company said.

The Japan Vietnam Petroleum Company, a Mitsubishi subsidiary, said the 10,346 barrel a day flow rate from the exploratory well was "one of the highest flow rates from a single production test in south-east Asia".

Another exploratory well is due to be drilled in the area, but Mitsubishi and PetroVietnam, the Vietnamese state oil company with which it has a production sharing contract, have decided to begin a feasibility study on the possible development of the field.

Analysts say its proximity to the coast and shallow water depths should help to keep development costs down if a decision is made to go into full-scale production.

Mr Gavin Law, who monitors oil developments in south-east Asia for Wood Mackenzie, the Edinburgh brokers, said there had been "a lot of eagerness" on the part of the Vietnamese authorities to get another significant offshore discov ery.

Many recent exploration wells have produced disappointing results, while there has been a big revision downwards in the estimated reserves of the Dai Hung, or Big Bear, field.

Tokyo urged to ease refinery imports

By Michiyo Nakamoto in Tokyo

Japan's Ministry of International Trade and Industry yesterday moved closer to lifting restrictions on oil product imports with the publication of a report recommending the deregulation of the oil industry.

In an interim report submitted to the trade minister, a government advisory panel called for the abolition of a special law on oil product imports which has restricted imports to refiners.

The report says the restriction has helped perpetuate substantial price differentials between domestic and overseas petrol prices, and recommends the easing of rules on petrol station construction.

The panel's recommendation, which will form the basis for Miti policy, comes as prime minister Tsutomu Hata has urged ministries to come up with further deregulatory measures to resuscitate the sluggish Japanese economy.

The Japanese government will compile a package of deregulatory measures by the end of this month to present to the Group of Seven summit in Naples next month as part of its efforts to meet international criticism that it must do more to stimulate its domestic economy and trim its current account surplus.

Wide-ranging regulations covering the oil industry have come up for special criticism recently as responsible for shoring up the price of petrol.

Swedish call for more telecoms competition

By Andrew Adonis

FT Mr Per Westerberg, Sweden's minister of industry, yesterday called for a rapid introduction of competition in the provision of telecommunications networks across Europe.

Addressing an FT conference in London on European telecommunications, Mr Westerberg said the liberalisation of telecoms services, as agreed by the EU, was insufficient to give Europe a competitive edge over the US.

"Competition in the infrastructure is also necessary," he said. Pointing to the potential for a new generation of multimedia services using fibre-optic networks, he argued that prices had to be cost-based.

"For this to happen I believe there must be competition in infrastructure as well as in all kinds of service."

Sweden, whose application to join the EU now rests with a national referendum, already allows infrastructure competition. Within the EU only the UK has adopted the same course.

The European Commission has yet to announce its proposals on the issue, but appears to be leaning towards infrastructure liberalisation.

Mr Wim Dik, chairman of KPN, the recently privatised Dutch posts and telecoms company, supported the liberalisation of infrastructure, saying he "welcomed" the prospect of competition at home.

He stressed the importance of alliances between national operators to the future of Europe's telecoms industry as international competition advanced. "If there is more competition in your home market, you have to go abroad, and multinationals are driving the international market," he said.

KPN has formed an international joint venture, called Unisource, with the state telecoms operators of Sweden and Switzerland. Telefonica, the Spanish operator, is an associate member.

Mr Cándido Velázquez-Gaztelu Ruiz, chairman of Telefonica, told the conference that Telefonica was set to join Unisource as a full member next month. "We share its philosophy" he said.

The addition of Telefonica will strengthen Unisource in its current negotiations for a partnership with AT&T, the largest US operator. AT&T is anxious to enter the European telecoms market after the success of its smaller US rivals MCI and Sprint in forging alliances with the larger European operators.

However, Mr Dik and Mr Ruiz clashed over the question of universal service obligations on national telecoms operators, an issue slowing progress towards full telecoms liberalisation in the EU.

Mr Dik said market forces should broadly determine telecoms service levels, with any subsidies thought desirable for rural dwellers paid directly to the subscribers.

However, Mr Ruiz argued that national operators should continue to receive subsidies to provide telecoms services to poorer or rural communities. They should either be allowed to subsidise such services from other activities, or competitors should be obliged to pay them a fee to cover loss-making social obligations.

The issue is controversial in Spain, which has recently agreed to forego an EU concession allowing it until 2003 before licensing "voice" telecoms competitors to Telefonica. Competition in Spain will start in January 1998, as in most of the rest of the EU.

NEWS IN BRIEF

KLM to transfer Orlando flights

KLM Royal Dutch Airlines yesterday announced that it would transfer its scheduled service to Orlando, Florida, to a joint venture to set up with Martinair, the Dutch charter airline in which it owns a minority stake, writes Ronald van de Krol in Amsterdam.

Martinair will start operating KLM's Orlando flights on October 31, but the two airlines will have joint control over marketing and sales. The Dutch charter airline will also increase the flight frequency to Orlando to four roundtrip flights every week, up from the current three, reflecting a rise in demand by holidaymakers. Martinair, which already serves Fort Lauderdale, Tampa and Miami, has not previously flown to Orlando, which is home to one of the Walt Disney theme parks as well as other tourist attractions.

The joint-venture service to Orlando has been made possible by the "Open Skies" agreement reached by the US and the Netherlands in 1992 with the aim of giving greater access to each other's airlines.

Israel, S Korea in air accord

Israel and South Korea have initialled a civil aviation agreement that should allow direct flights between the two countries by early next year and considerably boost the tourist trade, writes Julian Ozanne in Jerusalem. El Al, Israel's state-owned airline due to be privatised later this year, has said that it wishes to fly to Seoul as soon as possible as part of its route expansion programme focussed on Asia. Israel's tourism ministry, however, criticised the ministry of transport for mishandling the agreement by not providing for the immediate establishment of scheduled flights between the two countries.

Franco-German oil joint venture

A joint venture between units of Germany's Thyssen Lurgi and Technip of France yesterday finalised a DM3bn (£1.2bn) contract for a turn-key oil refinery in Leuna in eastern Germany, AP-DJ reports from Frankfurt. The refinery will process 8.7m metric tons of crude oil annually and will produce high octane petrol and diesel fuel with a low sulphur content. The joint venture to design and construct the refinery was formed in February 1993 but became bogged down in negotiations with authorities in eastern Germany.

HK phone deal for Ericsson

Ericsson, the Swedish telecommunications group, yesterday said it has received an order worth SKr140m (£11.8m) from SmarTone Mobile Communications Ltd. of Hong Kong for Global System for Mobile communications equipment to allow SmarTone to expand its subscriber network capacity, AP-DJ reports from Stockholm. Ericsson will expand SmarTone's original central exchange capacity as well as supply a new Mobile Switch Centre and Base Station Controller.

Argentina 'backs' Brazil to lead WTO

By Stephen Fidler, Latin America Editor

Brazilian diplomats said yesterday that the Argentine government had underlined its support for Brazil's candidate to head the World Trade Organisation.

According to the diplomats, the support for the Brazilian finance minister, Mr Rubens Ricupero, came in a letter sent by the Argentine foreign minister, Mr Guido di Tella, to his Brazilian counterpart, Mr Celso Amorim, at the weekend.

The letter follows the cancellation by Brasilia of a proposed visit later this month by the Argentine finance minister, Mr Domingo Cavallo. That came after reports that Argentina – along with other heads of government at the Ibero-American summit last week – had backed Mexican President Carlos Salinas to head the WTO.

The diplomats said that Mr di Tella's letter said there had been a misunderstanding about the summit discussions in Cartagena, Colombia, over the new WTO head – which took place after Brazil's president, Mr Itamar Franco, had left to attend a funeral.

Mr di Tella said the Argentines had not understood the talks to be seeking a consensus, and had believed the Brazilians had been consulted beforehand on the issue.

Mr Salinas, who does not leave office until the end of the year, has not yet formally declared his interest in the job as head of the WTO, which is to succeed the General Agreement on Tariffs and Trade next year.

Only one candidate from Latin America is expected to be considered by the new body. Brazil has insisted that Mr Ricupero, the only person to have officially put his name forward, remained a "viable" candidate.

Japan to make loans to S Africa

By Gerard Baker in Tokyo

The Japanese government is to extend its first ever sovereign loans to South Africa. The credits will be part of a package of measures expected to be unveiled by the prime minister, Mr Tsutumo Hata, at next month's summit of leaders of the Group of Seven industrialised nations in Naples.

Foreign Ministry officials said a mission would leave for South Africa later this week to look at specific projects for infrastructural investment. The total value of the loans on offer would be decided after the mission's report. Likely areas for investment included telecommunications, medical and educational facilities.

The package of measures will also include up to $500m (£329m) in trade and investments insurance over the next two years, according to the Ministry of International Trade and Industry (Miti).

Miti officials said the decision is in response to a recent US request that industrialised nations increase aid to Pretoria for its economic rehabilitation programme under the presidency of Mr Nelson Mandela.

The move comes at a time of growing interest by Japanese companies in South Africa. Several utility companies and trading houses have established trading links since sanctions were lifted in 1991. Last month Sumitomo Corporation, one of Japan's leading trading companies, established a joint venture with Associated Manganese Mines to exploit new mines.

Japan is South Africa's fourth largest trading partner. Until recently the country was one of the few in the world to have a bilateral trade surplus with Japan. But the slump in Japanese domestic demand has been reflected in a sharp fall in imports from South Africa. Last year, Japanese exports totalled $2bn while imports were $1.9bn.

Seoul signals end to Hyundai curbs

By John Burton

The South Korean government yesterday appeared ready to end its cold war with the Hyundai conglomerate by signalling its willingness to drop financial restrictions against the nation's largest industrial group.

The Korea securities dealers' association, which receives its guidance from the government, said it would "favourably consider" the registration of three unlisted Hyundai subsidiaries on the over-the-counter market.

The government blocked the OTC listing of the three companies – Hyundai Heavy Industries, Hyundai Elevator and Hyundai Housing and Industrial Development – in 1992 and 1993, in apparent retaliation for the 1992 presidential bid by Hyundai's founder, Mr Chung Ju-yung.

Mr Chung's presidential campaign was the first political challenge staged by a conglomerate against the government's traditional strict control over industry.

Mr Chung, who finished a poor third to President Kim Young-sam, announced his retirement last month from the group's management in an attempt to end the government's hostility toward Hyundai.

The OTC listings would be the first step in ending all state-imposed financial restrictions on Hyundai.

The government has prevented Hyundai from receiving soft industrial loans from the state-controlled Korea Development Bank, issuing bonds in foreign markets, and barred the listing of two other Hyundai companies – Hyundai Merchant Shipping and Koryo Industrial Development – on the Seoul bourse.

Hyundai claims that as a result of the financial restrictions it has had to cancel or postpone some of the projects in its \$5.6bn (£3.7bn) investment programme this year.

Some of the projects affected include the construction of two car factories by Hyundai Motor, the completion of a 16-megabit semiconductor assembly line by Hyundai Electronics, and the construction of a \$1.5m shipbuilding dock and generator and turbine production facilities by Hyundai Heavy Industries.

Government critics have argued that the financial restrictions were detrimental to the economy's growth, since Hyundai is the nation's largest producer of cars and ships.

Surge in growth rate seen for India

By Nancy Dunne in Washington

The reform process in India, begun in 1991, could enable growth rates to surge to levels experienced by its East Asian neighbours, the World Bank said yesterday.

In a report before the June 30 meeting of the Paris Club Aid India Consortium, , the bank praised the "remarkable" success at improving current and capital external accounts. Growth rose from 2 per cent in 1991-92 to about 4 per cent in the last two years and manufacturing, which initially dipped, has recovered to a modest growth of 2 per cent.

Foreign investment has soared to an unprecedented \$4.7bn (£3.1bn). But inflation, after declining to about 7 per cent in mid-1993, has been rising again, the report said.

For India to fulfil its growth potential, however, it must strengthen public finances and improve infrastructure. "Reform should be broadened to include sectoral ministries, public enterprises and state government while at the same time intensifying efforts to strengthen social safety nets."

The Bank warns that India must improve its fiscal performance. "At 66 per cent of GDP by the end of 1993-94, the central government debt (90 per cent of the consolidated central and state governments debts) is relatively high. Interest payments already claim over half of central government fiscal revenues," it said.

Improvement must be made in the finances of public enterprises and the states. The bank said it was "essential" India accelerate reform of public enterprises, which generate one-fourth of the country's non-agricultural GDP.

"Where restructuring exercises must precede large scale disinvestment, public enterprises' managers need to be given the authority to mobilise the resources necessary for financial restructuring, undertake large scale retrenchment and associate interested private parties where possible."

People in the small town of Yingde, in China's southern Guangdong province use a boat to make their way down the street after severe flooding which has caused many deaths. The floods rose higher yesterday as rains lashed the southern provinces of Hunan, Guangdong and Guangxi. State media assessments at the weekend put total deaths in excess of 400, with an estimated 160,000 homes destroyed and economic losses running into the tens of millions of dollars, and the lives of 20m people affected. Reuter

25 die in Iranian prayer hall blast

By Roger Matthews, Middle East Editor

Iran's interior ministry said that 25 people were killed and 70 wounded yesterday when a bomb exploded in a crowded prayer hall in the north eastern Iranian town of Mashhad.

The Islamic Republic News Agency said the worshippers had congregated at the mausoleum of Imam Reza to observe the Islamic mourning day of Ashura when the blast occurred.

The authorities in Tehran immediately blamed the Mujahadeen-e-Khalq, the main Iranian opposition group, which in the past few years has been more visible outside the country than within.

However, a statement issued from the Mujahadeen office in Paris "strongly condemned" the bombing. It added: "Such criminal actions, which inflict casualties on innocent people, only serve the interests of the mullahs' regime."

Mashhad was the centre of serious rioting two years ago when official buildings, banks and shops were attacked and several people killed in protests believed to have been sparked by demolition of slum housing.

The protesters also complained of rising prices and poor living conditions, with the demonstrations spreading to *other cities including* Shiraz and Tabriz. Hundreds of people were arrested and several alleged ringleaders executed.

There have been reports of minor incidents in Tehran this year, but none causing serious loss of life or damage to buildings. In February shots were fired during a rally being addressed by President Ali Akhbar Hashemi Rafsanjani.

But with last year's fall in oil prices, the government has fallen further behind in meeting international debt obligations, and inflation again rising sharply, senior Iranian officials have been aware of the risks of further public discontent. Parliament has refused to sanction price increases sought by the government and President Rafsanjani's efforts to maintain other economic reforms, such as a single exchange rate, have been abandoned.

Egypt strong enough to say no to IMF

Reform success allows Cairo to resist devaluation pressure, writes **Mark Nicholson**

The fact that Egypt and the International Monetary Fund are in disagreement – this time with Cairo resisting IMF pressure to devalue – has a familiar ring to it. That Egypt is prepared to resist IMF recommendations out of self-confidence in its economic performance, however, *is a more novel phenomenon.*

The differences surfaced last week, when Egypt admitted that IMF approval for the present stage of its economic reform programme faced a delay of up to six months and that devaluation was the point of contention. Cairo had otherwise hoped to win the Fund's approval by next month. That in turn was to trigger relief of about \$5bn of external debt under a 1991 deal in which official Paris Club creditors said they would write off half Egypt's then \$40bn debt if it successfully undertook IMF and World Bank reforms.

Egypt has already enjoyed two tranches of debt relief under this agreement, having since 1991 undertaken "remarkable and broad ranging reforms", in the words last week *of Mr Ram Chopra,* director of the World Bank's Middle East department. And senior Egyptian officials say they are confident of winning the third and final tranche by the year's end. But they will do it, they say, Egypt's rather than the Fund's way.

From near bankruptcy in late 1990, Egypt has cut inflation by a third to less than 7 per cent, sliced its budget deficit from 18 per cent of gross domestic product to less than 2.6 per cent, and padded reserves from two weeks of import cover to more than 18 months. All this while liberalising trade and the banking and capital market sectors and streamlining and improving the tax system.

Egypt has also defied tradition by holding the Egyptian pound stable at around E£3.3 to the dollar for the past three years, underpinned by the introduction in 1992 of positive real interest rates for the first time in decades. This stability the government prizes as among its most cherished achievements, one which ministers say does more than anything to establish international confidence in the economy.

The IMF believes Egypt can no longer afford the cost to its export competitiveness of an exchange rate 25-40 per cent overvalued

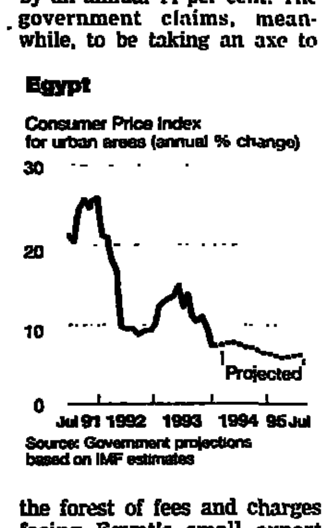
But the IMF now believes Egypt can no longer afford the cost to its export competitiveness of an exchange rate it reckons may be 25 to 40 per cent overvalued. It believes equally that Egypt cannot sus*tain indefinitely* the *high real* interest rates (three-month T-bills are at 12.2 per cent) without constraining growth. So the Fund is urging more flexibility on both counts.

"We will never devalue," Mr Atef Obeid, the public sector minister, said flatly last week, describing such a move as "destructive" and "destabilising".

Chief among Egyptian officials' reasons, perhaps, is that they fear devaluation might jolt hard-won confidence in the currency and threaten both to halt healthy flows of hard currency – much of it in remittances from Egyptian workers – and to reverse the process of "de-dollarisation" of the economy. Today just 23 per cent of broad money supply is held in dollars, against 57 per cent *before the reforms.*

Mr Obeid agrees the pound has appreciated in real terms, but says only "modestly". The government also appears convinced that this overvaluation is correcting itself. Inflation, at 6.89 per cent year on year, is undercutting IMF targets and should fall further during the next few months, eroding the differential between Egypt's *and its main trading partners'* inflation rates – a differential of roughly 3 percentage points.

Officials suggest that the benefits to export competitiveness will not outweigh the potential threat to confidence. While a devaluation might directly improve the competitiveness of non-oil exports, recent rough and ready figures suggest they are already rising by an annual 14 per cent. The government claims, meanwhile, to be taking an axe to



the forest of fees and charges facing Egypt's small export industries, which some estimates suggest can add 12 per cent to an exporter's costs.

The government can also argue that non-oil exports bring in only about 15 per cent of Egypt's hard currency earnings, the bulk of which come from Suez Canal receipts, remittances and oil exports.

Senior officials also suggest that a greater impediment to export growth than the exchange rate is the relative backwardness of Egyptian companies in export experience. "Our entire economic policy is geared towards the tradeable sector," says Mr Yousef Boutros Ghali, minister for international co-operation. "But I deeply believe the issue of competitiveness lies in the technical competence of our exporters – this is what we need to worry about."

None of which provides much cheer for the IMF; neither for the numerous bankers and businessmen who have long sought a devaluation – to perhaps E£3.8 or E£4.00 to the dollar – and, perhaps more urgently, a relaxation and realignment of interest rates. All believe the future of Egypt's export sector – on which they also argue rests Egypt's economic future – depends on improving competitiveness.

Officials do not appear to rule out a continued shaving of interest rates and perhaps slight slippage in the pound-dollar rate. But the government appears otherwise content that the main macro-economic variables are under control. The reforms are at last *becoming, some ministers* believe, "irreversible".

There are signs in the last few months that growth has started to pick up after the depressing effects of the stabilisation programme. Indicators such as cement sales, holding companies' turnover, power consumption, rail freight and others point to growth of about 2 per cent. Bank credit to the public sector is up 21 per cent and to the private sector32 per cent. A recent lull in attacks by Islamic militants might also lift some gloom from the tourism industry.

So the government will sit it out for the next five or six months and hope that inflation will fall further, exports will continue to grow and that by the end of the year, it will have been vindicated. "The numbers *will bear us out," says a senior* official.

Critics of Indonesian nuclear energy plans oppose inactive volcano site

Government says energy demand gives it no option, writes **Manuela Saragosa**

Proposals by the Indonesian government to develop a nuclear power industry are taking on an increasingly determined tone amid widespread criticism from environmentalists and some opposition parties.

The proposals include the building of the country's first nuclear power station near an inactive volcano Mount Muria on the northern coast of central Java, an area also prone to earthquakes.

International tenders for the plant could be held next year and Indonesia's leading environmental pressure group, Walhi, has stepped up its anti-nuclear campaign.

A feasibility study for the construction of the plant was completed by New Japan Engineering Corporation earlier this year but details of the study have not been made public. If all goes as planned, Indonesia could have a working nuclear power station by 2004.

Proponents of the nuclear energy scheme at Batan, the state's national atomic energy agency, argue that soaring energy demand in the Java/Bali grid, which is home to 70 per cent of Indonesia's 180m people and accounts for 80 per cent of Indonesia's total energy requirements, leave the country with no choice but to go nuclear. There are also proposals for 12 nuclear power stations in Java and Bali over the next 25 years.

Batan predicts that at forecast rates of increased energy demand, Indonesia faces becoming a net oil importer within the next 10 to 15 years. Although the country has coal reserves for another 300 years, the environmental impact of coal-fired electricity generation limits possibilities.

"We have to go nuclear one day," says Mr Hartato, co-ordinating minister for trade and industry. "There is no doubt about it."

"We believe it is not good to rely on a single source of energy," says Mr Soedyartomo Soentono, deputy director general for nuclear industrial research and development at Batan. Critics retort that with so many alternative supplies of energy in the country, including geothermal and solar energy and gas resources, it does not make sense to make nuclear power a priority.

Mr Soentono, however, says geothermal and solar sources of energy could not generate enough power to satisfy the requirements of a rapidly industrialising area. He also argues that Indonesia's huge gas deposits are located too far from Java and Bali.

"The government's main policy is to diversify its sources of energy," Mr Soentono adds. Batan says that in 1992 86.1 per cent of the country's energy supply came from oil and gas, 7.8 per cent from coal, and other sources accounted for 6.1 per cent. By 2019, Batan predicts 6 per cent of the country's energy supply will come from nuclear power stations, 54 per cent from coal, 38 per cent oil and gas and 2 per cent other sources.

Opposition to the construction of the Muria plant has also been voiced in Australia. Critics there argue that Indonesia's frequent earthquakes make a nuclear power plant high-risk. In February this year an earthquake shook the Indonesian province of Lampung in Sumatra, killing nearly 200 people.

Some Indonesian geologists argue that building a nuclear power station next to an inactive volcano is gambling with luck. They point to Mount Pinatubo in the Philippines which *was dormant for 700 years* before it erupted in 1992. Batan says the volcano in the Muria peninsula has been dead for 340,000 years.

"I would not call it a volcano, I would call it a hill ....", says Mr Soentono.

Environmentalists are also concerned at plans eventually to privatise the Muria plant. Batan insists the government would continue to ensure safety requirements are met even if the plant is sold off. The government says it will create a nuclear regulatory authority.

It is estimated that the cost of building the Muria plant will be about \$2bn (£1.3bn). Opponents of the scheme are angry that Indonesia, which has a foreign debt of between \$90bn and \$100bn and an annual per capita gross domestic product of \$660, should invest in developing nuclear power stations when, according to them, there are other more urgent issues, such as welfare.

Batan executives say they have conducted a cost evaluation for the project which concludes that nuclear power stations are a cheaper source of energy than coal. They do not give any figures.

Indonesia has three nuclear research reactors, all in Java, and has been developing isotopes and radiation processing programmes since 1964. But there is concern that Indonesia does not have the technical *expertise to manage a nuclear* power station.

"We do not have a high-tech culture," says Mr Muhammad Anung, programme manager for energy at Walhi.

Opponents of the scheme will have to fight hard to be heard since support for the development of nuclear energy comes from the government's highest quarters. The proposal is one of the pet projects of Mr Jusuf Habibie, Indonesia's enthusiastic minister for research and technology. President Suharto has also indicated his support.

Mr Habibie has promised that the public will have the final say in determining whether the Muria project goes ahead. Critics are sceptical. "Habibie's statement is purely political," says Mr Anung at *Walhi.* "*I think they will go* ahead and build it anyway."

Taiwanese cool to China call

By Laura Tyson in Taipei

Taipei has responded coolly to a request from Beijing to resume high-level contacts, insisting questions relating to the March murders of 24 Taiwanese tourists in China be addressed first, a government official said yesterday.

On Friday, Mr Wang Daohan, Beijing's chief negotiator for Taiwan affairs, faxed a letter to his Taiwanese counterpart seeking an "urgent meeting" to resolve differences – the first time the two would meet since 1993's ground-breaking talks, when officials from both sides held talks for the first time in more than 40 years.

"We have sent nine letters to the Chinese side about the tourists," a spokesman for Taiwan's Mainland Affairs Council said. "We want to resolve the issue. But so far we have received no answer".

The Qiandao Lake incident occurred when the tourists were robbed and their boat torched. Three Chinese were executed, but Taiwanese suspect they were scapegoats. China has been accused of covering up military involvement.

Correction

World Development Report

A headline and introductory paragraph in the international edition of yesterday's Financial Times referred to \$200bn a year in donor nations' infrastructure investment. The \$200bn was not limited to donor nations' investment.

Elders ex-executive pleads guilty to forex charge

By Nikki Tait in Sydney

Mr Kenneth Jarrett, a former executive of Elders IXL, the Australian brewing and agriproducts group, has pleaded guilty to involvement in a A\$66.5m (£33m) foreign exchange scheme which was allegedly fraudulent, and was said yesterday to be willing to give evidence against his former boss, Mr John Elliott.

According to Mr Brind Woinarski, Crown prosecutor, who is pursuing charges of conspiracy and theft against Mr Elliott, Mr Jarrett and five other individuals previously connected to the Elders IXL group in relation to these forex dealings, Mr Jarrett has co-operated fully and intends to give evidence against his former colleagues, including Mr Elliott.

Mr Jarrett pleaded guilty in the Melbourne Supreme Court to one count of failing to act honestly as an officer of the company, between April 1986 and June 1990.

Mr Woinarski told the court the Crown was alleging Mr Elliott decided who would be involved in the foreign exchange scheme and who would benefit from it. It was also alleging Mr Elliott and Mr Peter Scanlon, another Elders IXL executive, were the architects and instigators of the scheme.

The charges against Mr Elliott, a prominent Melbourne-based businessman and former president of the Australian Liberal party, Mr Jarrett and the other individuals, were filed shortly before Christmas. The theft and conspiracy charges related to two foreign exchange transactions, between Elders and the Bank of New Zealand, and then between the Bank of New Zealand and companies connected to executives of Equiticorp, the failed New Zealand-based group.

Elders is said to have apparently made losses totalling A\$66m on the deals, with similar gains booked to the Equiticorp entities. The authorities allege the transactions were used to funnel money to Mr Allan Hawkins, Equiticorp's now-jailed former chief executive.

Mr Elliott, released on A\$450,000 bail, has consistently maintained his innocence. He has claimed the National Crime Authority had overstepped its jurisdiction in pursuing these matters, saying he had become the victim of a political conspiracy.

Elliott: 'conspiracy victim'

NEWS: THE AMERICAS

Ecuador land protests grow

By Raymond Colitt in Quito

Protests by Ecuador's indigenous population have closed some of the country's main motorways, hitting commerce and isolating several cities.

The protests, entering their second week and becoming increasingly violent, were sparked by a land reform law approved by President Sixto Durán Ballen on June 13 which critics say halts popular land redistribution programmes.

In the central highlands, roadblocks have virtually cut off Ambato and Cuenca, Ecuador's third and fourth largest cities, resulting in supply shortages and price increases. The Pan-American highway has been blocked by protests from some 200 indigenous communities at several junctions in Cotopaxi Province.

About 40,000 indigenous people gathered in the provincial capital Rio Bamba to demand annulment of the legislation. In Ecuador's Amazon region several access roads to oilwells are also reported to have been blocked. Last week a protester was shot dead by a motorist trying to crash the barricades. Clashes between irate motorists and Indians armed with machetes have left dozens wounded.

Some governors are asking President Durán to declare a state of emergency; others say they would annul the so-called agricultural development law. Critics of the law say it ends 25 years of land redistribution. Indigenous peoples, making up 40 per cent of Ecuador's population, are now denied communal land and water rights, they add.

Government and indigenous leaders were due to hold their first talks late yesterday. Yet prospects for an immediate solution are dim; the government has said it will not repeal the law.

Colombian poll victor may shift course

Sarita Kendall on Samper's election win

Colombians opted by a narrow margin on Sunday for a continuation of Liberal party rule, but the new president-elect Ernesto Samper is viewed as likely to shift the emphasis of government economic policy.

In the second round of the election, Mr Samper polled just 1.8 percentage points more than his rival, the conservative Andres Pastrana.

Abstention was unexpectedly low at about 55 per cent and, with 98 per cent of the results in, Mr Samper had polled 3.7m votes. In his victory speech, he told supporters he had received a "social mandate" – a reference to the priority he gave to increasing social investment throughout his campaign.

As he spoke, he was joined by two former Liberal presidents – a reminder that the Liberal party is the most powerful machine in Colombian politics.

Mr Samper, 43, who started as a Bogotá city councillor and moved to the senate, built himself a strong supporting faction along the way. When he starts his four-year term as the third successive Liberal president, on August 7, there will be a Liberal majority in both Houses of Congress.

Early in his career Mr Samper headed the National Association of Financial Institutions, a kind of economic think tank, and produced a document arguing for the legalisation of marijuana. But when Colombia's Supreme Court depenalised drug use last month, he was quick to warn of the dangers of a massive growth in consumption in a country where drugs are so cheap and easy to obtain.

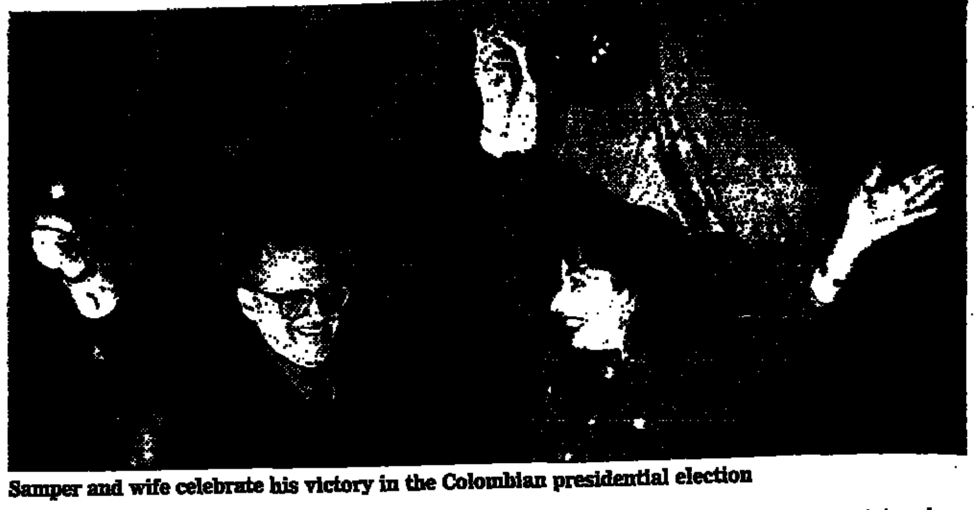
Like the present administration, he sees Colombia as a victim of the drug-consuming countries and says he will continue with the current policy of encouraging traffickers to surrender in exchange for reduced sentences.

In 1989, when car bombs were exploding in city centres and political leaders were being assassinated, Mr Samper was hit by more than a dozen bullets and was lucky to survive. Four bullets are still there. This, he says, made him feel he had been given a second chance and increased his determination to become president and try to bring peace to Colombia. Mr Samper is a moderate with a strong populist streak and a sense of humour that was suppressed during the campaign.

For the first time, Colombia will have a vice-president: Humberto de la Calle, a former cabinet minister who is likely to be an active partner, particularly on international issues.

In his victory address, Mr Samper paid tribute to President Cesar Gaviria in whose government he served as minister of economic development. He said the president's "vision and valour have given Colombia a great modernising drive which we shall continue with decision."

However, his own programme is centred on tackling some of the problems associated with the opening up of the economy over the last five years, such as the gap between rich and poor and city and country.



Samper and wife celebrate his victory in the Colombian presidential election

Colombia's economy grew by 5.3 per cent in 1993 and, with the recent improvement in coffee and oil prices, this year's growth rate should be similar. But construction and services have been doing much better than agriculture, industry and mining; non-traditional exports have risen very *slowly* while imports are soaring. Mr Samper's plans to create 1.5m new jobs includes an export promotion programme as well as industrial modernisation and the rehabilitation of the countryside.

Although Mr Samper says he will continue to work towards Latin American integration, he favours a stronger state role on sectors such as agriculture. Badly-needed investment in roads, bridges and ports, are also on his agenda. The extra income due from the Cusiana oil reserves from 1995 on will provide great opportunities but Mr Samper is aware of the potential problems and is concerned to prevent further revaluation of the Colombian peso.

WORLD CUP

Nigeria could be Africa's last hope

Simon Kuper in Boston finds the African challenge led by the continent's more stable countries

"We are here to win the World Cup," says Nigeria's Dutch coach, Clemens Westerhof. No coach of an African World Cup side has ever been able to make that boast, and Westerhof may be proved right.

His team are making their first appearance in the finals, and are expected to beat Bulgaria in a Group D first-round match in Dallas today. But despite the hype, African soccer may be getting worse, not better.

Certainly Nigeria look the strongest African side ever to make the World Cup finals, stronger, certainly, than this year's Cameroon and Morocco. I do not wish to exaggerate, but the Nigerian players are all intelligent giant sprinters with tremendous skills, particularly their two strikers, Daniel Amokachi and Rashidi Yekini.

For various reasons, no Nigerian defender has played league soccer recently: one player was suspended for six months for calling a Belgian referee a racist. But the team captured the African Nations Cup in April, and some European pundits think the Nigerians will do extremely well in the US.

European pundits have always loved to say that an African side will win the World Cup one day. The prediction sounds grandiose, cannot immediately be disproved, and is kind to the Third World.

But Africa gets poorer by the year, and African soccer suffers too. "The scissors of European and African football will separate even further," predicts Joachim Fiskert, the German manager of Congo. The World Cup is the main sporting event – perhaps the main event, full stop – for most African countries, yet over 20 of them failed to enter the current competition.

The obstacles were famine or civil war or lack of funds (or all three), while Libya could not travel due to a UN air embargo. Zambia *did* enter, but its players died when the ancient military aircraft carrying them to Senegal fell into the Atlantic. The Zambian FA had been unable to afford a regular airline.

Or take Ethiopia, one of the African countries which managed to play all its qualifying matches for this World Cup. The Ethiopians' first match was in Morocco. The team flew via Rome, where their five key players sought political asylum. That left eight players to contest the match.

The reserve goalkeeper, the assistant manager and a friend filled in, and Ethiopia began the game with 11 men. By half-time, however, two of the volunteers had dropped out exhausted, and Morocco led 5-0. Early in the second half, three more Ethiopians gave up. With just six players left standing, the referee ended the game. Ethiopia did not make the finals.

The three African teams that are here, Morocco, Cameroon and Nigeria, are among the continent's richer countries, though Nigeria and Cameroon are slipping fast: both had to ask their fans to help pay for their World Cup preparations.

History shows that except for Zaire in 1974 – and they failed horribly – only relatively rich, stable African countries have qualified: Tunisia, Algeria, Egypt, Morocco, Nigeria and Cameroon.

That Cameroon is becoming less stable shows up in this year's squad. The country's president, Paul Biya, has repeated his 1990 feat of personally picking Roger Milla for the national team. This time Milla is 42 rather than 38 years old, and the French coach Henri Michel does not want him along, but President Biya has been unloved since the elections in 1992, and was obliged to try something. Milla had predicted a "revolution" were he not selected.

Political interference is the norm in African soccer. When I asked Niger's sports minister whether he picked the national team, he replied: "It comes with the job." King Hassan of Morocco is said to have a direct telephone link to his team's bench. Nigeria's military rulers wanted their team to reflect "the Nigerian federal character" – players from each main tribe, please – though most of the time Westerhof is his own man.

"Cameroon did very well in Italy," he says. "But we want to do better here and I know we can." When Cameroon reached the quarter-finals in Italy in 1990, the world's bookmakers were shocked. They should not have been.

In 1978 Tunisia beat Mexico 3-1 and were unlucky to draw 0-0 with West Germany. Four years later Algeria beat West Germany and Chile, and Cameroon gained three draws in three games, while in 1986 Morocco won England's group. At each World Cup the Africans do well, and each time it is said that the African game is finally coming of age. In reality, it has not advanced much in the past 16 years.

All over Africa you will find boulevards, squares and even churches re-named after Roger Milla, the continent's hero of 1990. The World Cup matters more to Africa than to any other part of the world. Only in sport, explains the Cameroonian writer Celestin Monga, "is the African really perceived by the big western media as a man.. capable of making a valuable contribution to the history of humanity."

Every *quartier* in Africa will be spending the next month around a TV set. Let us hope Westerhof was not just not boasting.

Cameroon's François Omam-Biyick beats Swedish keeper Thomas Ravelli to score in Sunday's 2-2 draw Picture: AP

Strong TV interest in host nation's debut game

By Patrick Harverson in New York

The first World Cup game played by a US team on American soil was watched by a surprisingly large domestic television audience, according to preliminary ratings.

Although the US-Switzerland game at the Silverdome in Pontiac, Michigan, last Saturday started as early as 11.30am, it attracted a 5.8 rating on the ABC network in the 29 largest US television markets. One rating point is the equivalent of 941,000 homes.

The US national team's World Cup opening game ended in a 1-1 draw. In comparison, ABC's broadcast later the same day of the third round of the US Open golf tournament – traditionally a strong draw among sports fans – earned a 5.0 rating.

The 5.8 rating for US vs Switzerland was an average for the two-hour broadcast. The data showed that as the game progressed, more people turned on their sets to watch it, with the final 30 minutes earning a 7.2 rating.

ABC, which normally does not broadcast sports programming so early on a Saturday, was surprised by the strong rating for the US-Switzerland game. Mark Mandel, director of sports information for ABC, said the network was "very pleased... particularly as the game was on so early." He added: "We're off to a great start."

Corporate sponsors of the tournament were also delighted with the rating for the first US game. Eric Kraus, a spokesman for Gillette, which is advertising heavily on television during the tournament, said: "The high rating shows that there is a great deal of enthusiasm for World Cup soccer in the US, and that it is really catching on." Jackie Woodward, director of sports marketing at McDonald's, another big advertiser, said: "We're thrilled."

Although the US-Switzerland rating proved the pessimists who said Americans were not interested in the World Cup wrong, it is still too early to judge whether enthusiasm for the tournament is broad-based, or sustainable.

The preliminary ratings for the weekend games shown on ESPN, the cable sports channel which is sharing World Cup coverage with ABC, are not yet available, and the real test for ABC will come when it broadcasts a game not involving the US team.

Germany goes for win and place in second round

If they beat Spain today at Soldier Field, Chicago, defending champions Germany could become the first of the 24 World Cup teams to clinch a place in the second round.

"We don't have a team that knows how to play for a draw," said coach Berti Vogts. "We are an offensive team and that's how we'll play." Vogts gave no clue whether that meant a recall for veteran striker Rudi Voller.

Germany beat Bolivia 1-0 in the Group C opener last Friday, while Spain wasted a 2-0 lead against South Korea, drawing 2-2. Worse for Spain was the red-card expulsion of captain Miguel Angel Nadal for an untimely tackle. Nadal was later given a two-match suspension.

Spanish coach Javier Clemente has criticized Fifa, soccer's governing body, for penalising Nadal more harshly than the usual one-match suspension. "I think it's totally unfair and out of proportion," he said. "I don't understand it."

Vogts said it would be dangerous trying to go for a draw. "In 1984 we tried that against Spain and we were brutally punished," he said, referring to the European championship.

"Spain has more at stake and I expect them to be cautious, to play defensively, to wait for our mistakes and then hope to get three points against Bolivia," he said.

German defender Thomas Strunz, who missed the Germans' first game because of a hamstring injury, is expected to play against Spain.

Today's games

GROUP D
Argentina vs Greece
Boston (17:30 BST)
Nigeria vs Bulgaria
Dallas (00:30 BST)

GROUP C
Germany vs Spain
Chicago (21:00 BST)

Romania tighten up team security

Romania clamped down on media access to its team after a television crew from Colombia broke into a player's hotel room, the team's press officer said yesterday.

The incident happened at a Los Angeles hotel before Romania's first game against Colombia, which Romania won 3-1 with some eye-opening play.

"We found a Colombian television team in the bedroom and told them to leave. Ten minutes later we found them in the dining room," press officer Radu Timofte told reporters.

The Romanians have banned journalists from all the side's practice sessions before tomorrow's Group A game against Switzerland in Detroit.

Chinese authorities urge restraint

China has told World Cup fans to turn their TVs low and stop shouting "Goal!" late at night. China did not qualify for the finals, but millions of soccer followers are staying up late to watch matches live on state-run television.

In a front-page commentary, the Communist Party's *People's Daily* told fans: "Keep the TV down low. When you see a great goal, keep your emotions under control. Don't shout loudly or applaud." Fans were urged to "guard against accidents happening [at work] because of lack of sleep."

The time difference between China and the US means that many of the World Cup matches are broadcast in the small hours of the morning.

Charlton's wake-up call to sportswriters

Ireland's coach Jack Charlton said that sports journalists should wake up. Asked how the Irish could upset Italy 1-0 in their opening Group E game, Charlton told reporters: "You keep writing us off and we keep beating people. When are people going to realise that we have some players?"

High achievement for US grass

American grass growers have risen to the World Cup challenge. Sod growers have made valiant efforts to see that the world's best soccer players have a prime plot on which to play.

Of the nine World Cup venues, the surfaces of eight were entirely replaced. Large rolls of Kentucky bluegrass, hybrid Bermudagrass, perennial ryegrass and Tiffway II hybrid have been shipped to Michigan from California, to Chicago from Colorado, to New Jersey from North Carolina and to Boston from Rhode Island.

"The US may not lead the world when it comes to the game of soccer," said an expert, "but the contribution we can make to playing conditions is unmatched."

UK reaction marked by frustration

By Andrew Jack

The British government and companies with US operations reacted with frustration to the Supreme Court's ruling against Barclays Bank in its long-standing feud with the state of California over the imposition of a system of unitary taxation.

The Confederation of British Industry said: "We are extremely disappointed to hear this news and are awaiting full details to understand its implications."

The Inland Revenue said: "We are naturally disappointed and we are awaiting further details."

It appeared unlikely the government would enact legislation to permit potential retaliatory action against US companies in the UK in the event of a court decision supporting unitary taxation.

Many companies and professionals had expected the decision to go against Barclays, and downplayed its ramifications now that companies could opt to be assessed instead on a water's edge basis, which assesses only income within US borders.

Others expressed fears that the Supreme Court's decision could trigger other US states to impose unitary tax. It also permits California to reintroduce the system.

Barclays said last night it was currently "chewing over" the "very long and very detailed" text of the Supreme Court judgment.

The bank is believed to have already handed over up to \$30m in taxes assessed by California on the unitary basis in connection with its operations from the mid 1970s up until 1983. As a result of the judgment, it may have to hand over another \$10m in taxes in dispute since that time. Barclays withdrew its retail and most other operations from California in 1988.

The company said last night: "We naturally regret that the court has arrived at this decision in relation to what is an important issue of international taxation. It affects not only Barclays but also numerous other UK and foreign-owned multinationals.

"Any weakening of the certainty provided by the internationally accepted arm's length approach to taxation is likely to have adverse consequences for world trade generally."

Mr Tony Hughes, an international tax partner with Coopers & Lybrand, said: "This decision is not unexpected because of the degree of political pressure. I don't expect to see any retaliation because there is not much at stake. But there would be a war if unitary tax was extended to other states."

Unitary tax ruling difficult to assess

Implications of US court decision on California method are unclear, writes George Graham

The US Supreme Court's decision yesterday in favour of California ends a 17-year legal battle by Barclays Bank and a host of other foreign multinationals and governments against the state's worldwide unitary method for assessing corporate income taxes.

The decision, by a 7-2 majority of the nine-member court, removes an immediate cloud from California's overcast fiscal horizon: the state will not have to refund more than \$1.4bn it has already collected under unitary assessments, and is likely to be able to collect another \$500m next fiscal year in assessments that have been frozen for the last 10 years because of the litigation.

That is no small windfall for California, which has yet to pass a budget for the fiscal year that begins next week. But the implications for the future of the unitary method of taxation are less clear.

Although the Supreme Court decision apparently leaves the way clear for states to adopt the method, practical politics are likely to deter most from accepting the invitation.

Last year, the British government set its wheels in motion for retaliation against Californian companies by the denial of a tax credit, a move which was partly responsible for the state's decision to change its tax law in a way that essentially gives foreign companies the right to opt out of unitary assessments.

The UK legislation authorising retaliation remains in effect.

"The state of California should be under no illusion," said Mr Peter Welch, who heads the unitary tax campaign, a UK business coalition that has battled the tax for years, "that if British business should be penalised in the future or if any other state should damage the interests of British companies by the imposition of worldwide unitary tax, then there will be a tidal wave of pressure upon the UK government immediately to institute effective retaliatory measures."

There are, in fact, many cases where foreign companies can benefit from unitary assessments, if their profitability in California is higher than elsewhere.

This is particularly true under the current California system, which allows taxpayers to choose between unitary assessment and a method called "water's edge", which assesses only income within the borders of the US and which comes close in its effect to the arm's-length method embraced in all international tax treaties.

"What we now have is what I call the Burger King system of international tax accounting: Have it your way," said Mr Brad Sherman, chairman of the State Board of Equalisation, California's tax authority.

Several multinationals operating in California choose the water's edge method on principle, even though it

Ginsburg, left, delivered judgment; Thomas dissented

costs them more, because of their objections to unitary assessment.

The arm's-length method is based on the simple principle that only income earned in a particular country or state should be taxed by that government.

Companies are required to account for movements of goods and services between their subsidiaries at arm's-length transfer prices – the same as they would charge to an unrelated company.

Its practical application, however, can be very complicated. Many governments fear that multinational companies can change the amount of tax they pay within a particular country by manipulating transfer prices.

Several US states have found the unitary method appealing because it is easier for the collecting agency to assess: a company's taxable income inside the state is calculated by multiplying its total worldwide income by a factor based on the proportion of its property, payroll and sales located inside the state.

But because it conflicts with the arm's-length principle used everywhere else, unitary assessments can lead to double taxation, as a company may not be able to deduct from its taxable income in its home country the unitary tax assessed on it by a US state.

Justices Sandra Day O'Connor and Clarence Thomas, in dissenting from yesterday's decision, cited the risk of double taxation.

The Supreme Court had already ruled in 1983, in the Container Corporation case, that California's unitary system was legal when applied to US companies, but expressly set aside the question of whether it could be applied to foreign businesses.

The essence of Barclays' case was that unitary taxation, because it conflicts with the arm's-length principle preferred in international tax treaties, interferes with the federal government's right to speak for the US with a single voice on matters of international commerce, and is therefore unconstitutional.

But Justice Ruth Bader Ginsburg, writing for the court, said that the federal government had had the opportunity to prevent states from using the worldwide unitary method, but had not done so.

"Congress has focused its attention on this issue, but has refrained from exercising its authority," Mrs Ginsburg wrote.

Colgate-Palmolive's case, heard in tandem with that of Barclays, was that to exempt foreign but not domestic companies from unitary taxation would be unfair. To win, it would have had to persuade the Supreme Court to contradict its earlier Container decision, the sort of reversal that the justices only rarely contemplate.

Court to rule on candidate curbs

By Jeremy Kahn in Washington

The US Supreme Court yesterday agreed to decide the constitutionality of laws restricting the number of times members of Congress can run for re-election.

In congressional elections over the past four years much has been made of the public's anger with long-time incumbents, who are often perceived to be out of touch with voters and the cause of corruption and political gridlock in Washington.

However, incumbents are hard to defeat because they usually have political and financial resources far exceeding their challengers.

The populist anti-incumbent movement has led to enactment of term-limit amendments in 15 states.

At issue in the case the Supreme Court said it would hear is an amendment to the Arkansas state constitution that prohibits senators who have served two six-year terms and House members who have served three two-year terms from appearing on the ballot.

An Arkansas court invalidated the law in March, citing a 1969 Supreme Court decision that Congress cannot, except in the case of impeachment and conviction, exclude any member meeting the constitutional qualifications – minimum age, US citizenship and state residency.

Canada to reform rules on VAT

By Bernard Simon in Toronto

Canada's Goods and Services Tax (GST), the value-added levy introduced in the face of a public uproar three years ago, will undergo several changes if the government accepts a report due to be tabled late yesterday.

However, the suggested reforms fall far short of promises by the now-ruling Liberal party during last year's election campaign to scrap the controversial tax.

The House of Commons finance committee was asked to draw up alternatives to the GST shortly after the Liberals took office last November. Among its main recommendations, according to leaked versions of the report, is a proposal that the tax be made less visible by including it in the retail price of goods and services, rather than adding it at the cash register.

The committee has also reportedly urged that the tax be broadened to include groceries and prescription medicines. In this way, the rate could be reduced from the present 7 per cent to about 5.3 per cent.

The most politically sensitive part of the report is likely to be a proposal that the federal tax be harmonised with retail sales taxes levied by nine of Canada's 10 provinces. With the exception of Quebec, the provinces have so far resisted Ottawa's efforts to roll their taxes, which vary from 7 per cent to 12 per cent, into the GST.

The GST was introduced by the former Progressive Conservative government to replace a manufacturers' sales tax, and accelerate a shift from direct to indirect taxation. Although widely welcomed by business, the new tax became a rallying point for Tory opponents.

US health bill must cover all - Clinton

President Bill Clinton yesterday challenged Congress by saying it must pass a health reform bill that covers all Americans – as his plan does – instead of a watered-down version, AP reports from Washington.

"We should not walk away from this Congress without a commitment to cover everyone," Mr Clinton said in an interview on NBC television.

The president spoke a day after Senator Daniel Patrick Moynihan, chairman of the Senate finance committee, said there was no way that Congress would pass a bill guaranteeing healthcare for all Americans. Mr Moynihan said it was more likely that Congress would enact a scaled-down plan with the potential of insurance for everyone within 10 years.

"It doesn't have to be done tomorrow," Mr Clinton said. "It ought to be phased in over a period of just a few years, but we ought not to walk away without a bill that provides health care to all Americans."

Mr Clinton has made solving the healthcare crisis a top priority. More than 37m Americans have no health insurance, and Americans must spend a larger amount of their income on medical expenses than residents of most developed countries.

Some measures in Congress envisage insuring 91 per cent of Americans. Ms Donna Shalala, health and human services secretary, has released a report showing 17.2 per cent of Americans were uninsured in 1992, up from 12.5 per cent in 1980. Most uninsured are middle class people, she said, hard-working Americans "who get up and go to work every day, yet, every day they must live without the security of health insurance."

Ulster violence puts internment on agenda

By David Owen and Tim Coone

Sir Patrick Mayhew, the Northern Ireland secretary, yesterday gave his strongest hint to date that the British government is considering internment without trial as part of its response to the latest upsurge in sectarian violence in the province.

His comments came as London signalled that a meeting between Mr John Major and Mr Albert Reynolds, the Irish prime minister, in Corfu this week could give significant new impetus to efforts to forge a lasting political settlement in Ulster.

Downing Street made it clear it had not ruled out reaching a framework agreement on new constitutional arrangements in time for the next Anglo-Irish summit in mid-July.

Last Friday, Mr Dick Spring, the Irish foreign minister, had warned the document was unlikely to be completed in time for the summit.

Mr Gerry Adams yesterday added his voice to those urging republicans not to retaliate for Saturday night's shooting in which six Roman Catholic men were killed by loyalists.

The president of Sinn Féin, the IRA's political wing, appealed to "those I represent" for calm and restraint. He said republican leaders would reconvene to discuss Sinn Féin's response to last year's Downing Street Declaration "within days."

With pressure again mounting on London and Dublin to show that their efforts are making headway, officials representing the two governments are understood to be working from the same draft of the proposed framework agreement.

But important differences are said to remain over what the document will say on future north-south institutions and Dublin's constitutional claim over the province.

This is seen in Whitehall as the key trade-off that will be at the core of any agreement. Although London is anxious to encourage Dublin to move further towards rescinding its territorial claim, officials see little point in granting concessions on north-south relations that would be rejected out of hand by unionists.

In Boston yesterday, Mr Reynolds underlined Dublin's preparedness to support constitutional changes, provided this was part of "a balanced constitutional accommodation."

In Lisburn, the town where the British army in Northern Ireland is headquartered, Sir Patrick said it was "not for nothing" that the British government asked MPs to renew a provision for internment every year.

He said the provision had been retained because the government believed circumstances could be "envisaged" in which it would be "necessary to use that power."

Ministers have come under pressure from unionists and Tory backbenchers to intern suspected terrorist ringleaders as part of their response to Saturday night's shooting.

Government insiders believe such a move is still some way off, however, not least because of the difficulties it could present the Irish government whose co-operation would be required if the exercise was to be effective.

Figures cast doubt on housing recovery

By Alison Smith, Andrew Taylor and Philip Coggan

Fresh doubts about the recovery of the UK housing market were raised yesterday when figures for net new mortgage lending by building societies last month showed a sharp drop compared with the previous month.

According to figures released by the Building Societies Association, societies' net new lending was £806m in May – a fall of 17 per cent from the £974m in the previous month. In May last year it totalled £896m.

However, in a more encouraging sign, there was an increase in last month's net new commitments undertaken by societies – loans approved but not actually taken up within the period covered. These rose by 4.6 per cent to £3.28bn, against £3.14bn in April.

There was also better news on personal savings as societies received a net inflow of funds for the second consecutive month, after five months of net outflows as they struggled against other savings products.

Net receipts totalled £370m in May, although they are still just over half the £700m recorded in May last year.

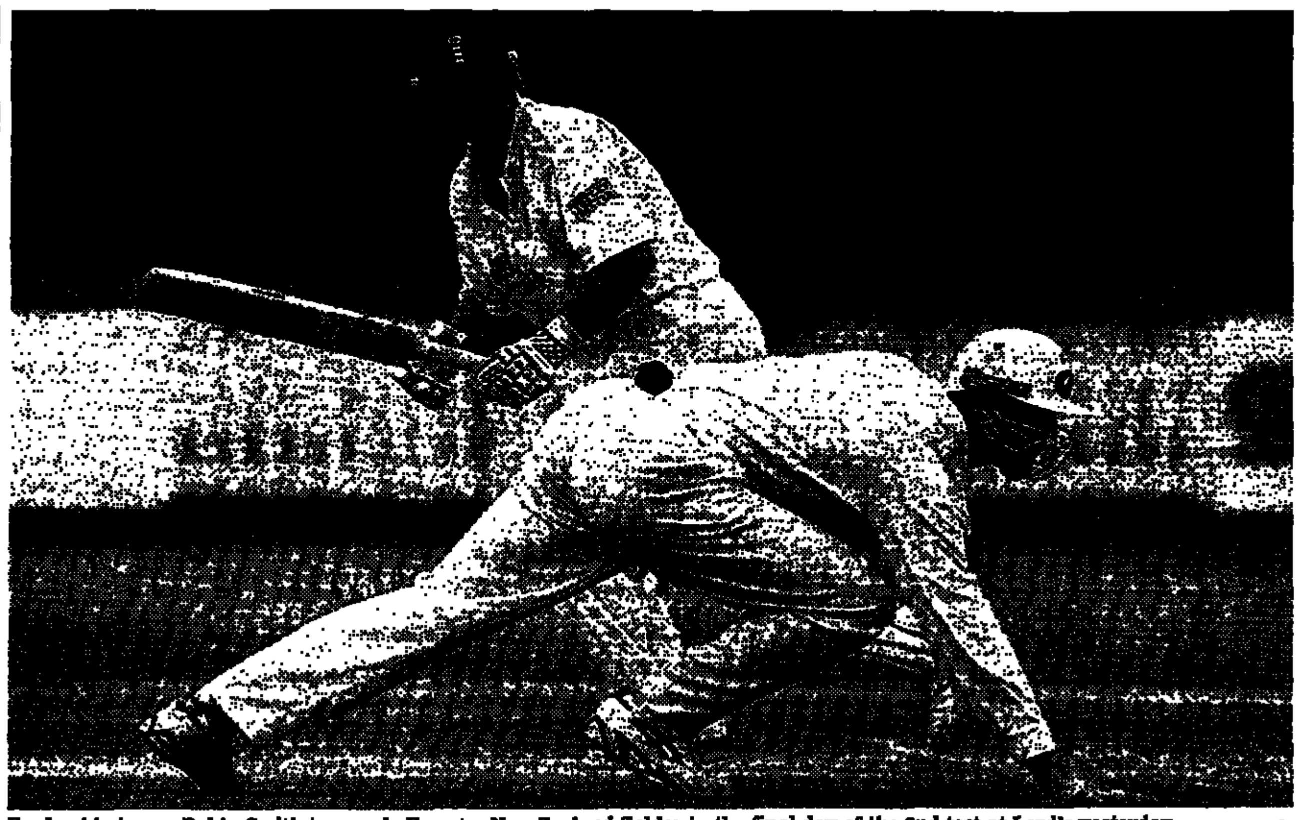
Mr Adrian Coles, director-general of the association, said the lending figures appeared "to reflect some caution on the part of households, but provide no firm evidence of a downturn in housing market activity".

The prospects for the housing market recovery appear mixed, with further signs that the upturn may be stalling reported by estate agents and housebuilders, amid indications that consumer confidence has passed its lowest point.

More than half of the 143 estate agents questioned in a survey published today said sales during the three months to the end of May had "either flattened out or declined" against the previous quarter.

The survey by the Royal Institution of Chartered Surveyors said agents blamed tax increases in April and increased interest rates on fixed-rate mortgages for the slowdown.

Nearly three quarters of agents said prices remained stable, while 17 per cent said "prices were still edging upwards".



England batsman Robin Smith turns a ball past a New Zealand fielder in the final day of the 2nd test at Lord's yesterday Picture: PA

Sporting life for England

The sporting summer moved into high season yesterday as England saved the second Test against New Zealand at Lord's and Pete Sampras successfully opened his defence of the men's title at Wimbledon.

Combined with television coverage of the World Cup and the US Open golf championship from Oakmont, Pennsylvania, the British public was able to watch 13 hours of sport on BBC TV alone.

England closed at 254 for eight - just two wickets from defeat. Tail-enders Steven Rhodes and Paul Taylor hung on for the last seven overs with seven men around the bat in catching position.

Dion Nash, despite being restricted by poor light from bowling at the tail-end, completed a magnificent match to become the first player to take ten wickets and score a half century in a Test at Lord's.

Tussle reported over planned defence cuts

By James Blitz and Bruce Clark

A tussle was reported yesterday between the Treasury and the Defence Ministry over forthcoming cuts in military spending, and unhappiness over the economy drive was mounting on both sides of the House of Commons.

The defence ministry is understood to have completed its own proposals for Front Line First, an exercise that is designed to shave at least £750m a year from the defence budget, mainly from support services.

Mr Malcolm Rifkind, defence secretary, said in April that he hoped to save more than the agreed target in support spending and he might use the spare funds to beef up the forces's front-line capability.

The Treasury is now understood to be challenging the idea that any savings over and above the £750m goal should be ploughed back into defence spending. A final decision on the project, also known as the Defence Cost Studies, is likely to be announced in mid-July.

Mr Rifkind is expected to confirm several procurement decisions around the same time, in order to soften the political impact of the cuts and up to 25,000 job losses.

These announcements could include final decisions to buy 250 more Challenger tanks and three frigates, and to upgrade the RAF's Tornado fleet. Mr Rifkind may also confirm the purchase of two new amphibious assault ships, a decision that has been taken in principle but not fully funded.

At Westminster, Mr Julian Brazier, chairman of the Tory backbench defence committee, was one of a number of conservatives who attacked plans to cut support services.

At the same time, Labour stepped up its long-running campaign to preserve the Rosyth naval base in Scotland, amid fears that it will be closed with the loss of more than 4,000 jobs. Mr Gordon Brown, the shadow chancellor – whose constituency contains the naval base – urged Mr Malcolm Rifkind to make a statement on Rosyth's future before the publication of the Defence Cost Studies report next month.

Confrontation looms over railway strike pay claim

By Kevin Brown, Political Correspondent

The British government appeared to be digging in for a lengthy confrontation with the RMT rail union yesterday as ministers repeatedly attacked the union's "irresponsible" pay claim.

Amid angry Commons exchanges, Mr John MacGregor, the transport secretary, condemned the strike planned for tomorrow and warned that some passengers would not return to the railways.

It also emerged that Mr MacGregor has established a committee of senior ministers to monitor the strike by signals staff and guide the government's response.

The committee met for the first time yesterday to discuss the prospects for further railway chaos if Aslef, the train drivers' union, also decides to strike.

As MPs waited anxiously for talks to begin between RMT and Railtrack, the state owned railway infrastructure company, Mr MacGregor said it was "damaging to the railway for the unions to undertake a series of strikes on an 11 per cent no strings pay claim."

He told MPs that Railtrack wanted to achieve a settlement based on talks on restructuring, which would be separate from the company's 2.5 per cent pay offer.

Shouting down claims by Labour MPs that the government had engineered the strike, Mr MacGregor said the restructuring talks would have to offer "value for money."

He dismissed claims that Railtrack had spent more on refurbishing its HQ than the estimated cost of settling the strike. Labour claimed the dispute could have been avoided if the government had not intervened to order Railtrack to withdraw a proposed pay increase of 5.7 per cent .

Britain in brief

Probe plan into instant coffee brands

Officials are preparing to launch a full probe into the instant coffee market, after a survey showed some brands may contain ground stalks or husks, an Agriculture Ministry spokeswoman said yesterday.

Scientists from the Food Authenticity department found that 15 per cent of instant coffee samples tested contained material other than ground coffee beans, the ministry said.

The adulterated coffee, mainly from the cheaper end of the market, probably included coffee plant husks, skins, stems or stalks added before roasting the beans, it added.

The Ministry is due to discuss the survey with trade representatives and consumer groups on Thursday and will probably launch a fuller investigation, the spokeswoman said.

The brands involved could not be named, because the number of jars examined was too small to be representative of any one product, she added, noting there was no danger to health.

Exclusion zone for Stonehenge

A four-mile exclusion zone was put into force yesterday around the ancient monument of Stonehenge, in western England.

The Wiltshire monument will be closed to the public at dawn tomorrow for the Summer Solstice, which in past years has led to violent clashes between police and so-called 'new Age' travellers trying to reach the stones for the sunrise.

The exclusion zone – with an order preventing processions within the area of treeless downland – has been set up to prevent latterday sun-worshippers from reaching the stones and police have extra officers on stand-by if necessary.

A check was made last night on the movements within the area, but in contrast with previous years there has been no attempt to set up a large camp near the World Heritage Site. Police were hopeful that dawn would arrive without major incident.

Post Office complaint

The Post Office reported record pre-tax profits for the year to 31 March, but claimed its future was nonetheless in serious jeopardy because of the government's failure to reach a decision on privatisation.

At £306m, pre-tax profits were 8 per cent up on 1992/93 (£283m). The Post Office's core Royal Mail delivery business contributed £296m – far ahead of its government target of £225m.

However, Mr Michael Heron, PO chairman, said the "prolonged waiting game" over privatisation was causing "planning blight which leaves us totally in limbo." Mr Bill Cockburn, chief executive, highlighted investment shortfalls and a "worrying" dip in pillar-box mail as further evidence of the need for a sell-off.

Amoco awards contracts

Amoco UK has awarded contracts worth more than £46m as part of the development of the Davy and Bessemer natural gas fields, which lie about 60 miles off the east Anglian coast.

The contracts include £14m to Brown and Root Highland Fabricators for the construction of two single leg platforms, the first time such designs have been used in the North Sea. Total development costs of the two fields are expected to be about £160m.

Vote on age of consent

In a free vote the House of Lords rejected by a majority of 174 an attempt to lower to 16 the age of male homosexual consent. An amendment to the Criminal Justice and Public Order bill which sought to overturn the decision of the Commons to reduce the age of consent for such acts from 21 to 18 was defeated.

Lord McIntosh of Haringey, Labour spokesman, who moved the amendment, claimed that many peers who took part in the debatespoke from "intuitive feeling rather than rational argument".

Lord Jakobovits, the former chief rabbi, called for the age of male homosexual consent to be retained at 21. He said "we live in a society where the pursuit of happiness is the ultimate aim of life. As a result we pay today with higher divorce rates and crime rates because we indoctrinate our youth to feel that whatever makes them happy is legitimate".

Underwriter manipulated figures, court told

By John Mason, Law Courts Correspondent

A former underwriter with the Gooda Walker agency was yesterday accused of lying to Lloyd's agents over the likely losses to be sustained by syndicate 298 following the Piper Alpha oil platform disaster.

During the High Court action brought by 3,095 Lloyd's Names, individuals whose wealth has traditionally supported the market, Mr Stanley Andrews was accused of misrepresenting the syndicate's losses to agents and the Gooda Walker board.

Mr Jonathan Gaisman, for the Names, said that between January and August 1989, Mr Andrews had repeatedly insisted that the syndicate's likely losses would be below the $104m level at which 298 had arranged reinsurance cover. He had then continued to tell agents that he expected the syndicate to break even, Mr Gaisman said.

In April 1989 Mr Andrews reported losses of $74m, in line with losses projected in the 1988 audit. The reported figure rose to $100m by July and remained at this level until September.

Mr Derek Walker, the former chairman of the Gooda Walker managing agency, then discovered the losses were $125m – beyond the reinsurance level, Mr Gaisman said. Mr Andrews had manipulated the figures and given untrue figures for projected losses and results to agents, Mr Gaisman said. "You had not been telling the truth about these figures for months."

The claim was denied by Mr Andrews who insisted there was no question of him lying. He had reported the latest figures available, he said.

Mr Andrews had also misled the Gooda Walker board about the scale of the losses, Mr Gaisman said. Mr Tony Gooda, the former chairman of the members' agency, had told others in early 1989 that Mr Andrews was predicting the syndicate would either break even or make a small profit. Mr Andrews said he had never told Mr Gooda that the syndicate might do any better than break even. The case continues.

State support 'needed for new N-station'

By Michael Smith

Significant state support is likely to be needed if the UK is to build another nuclear power station, it emerged yesterday as Nuclear Electric, the state-owned operator, published its evidence to the government's nuclear review.

The company acknowledged the cost of producing electricity from a third plant at Sizewell, on the English east coast, would be about 50 per cent higher than current market prices if the plant was funded by the private sector.

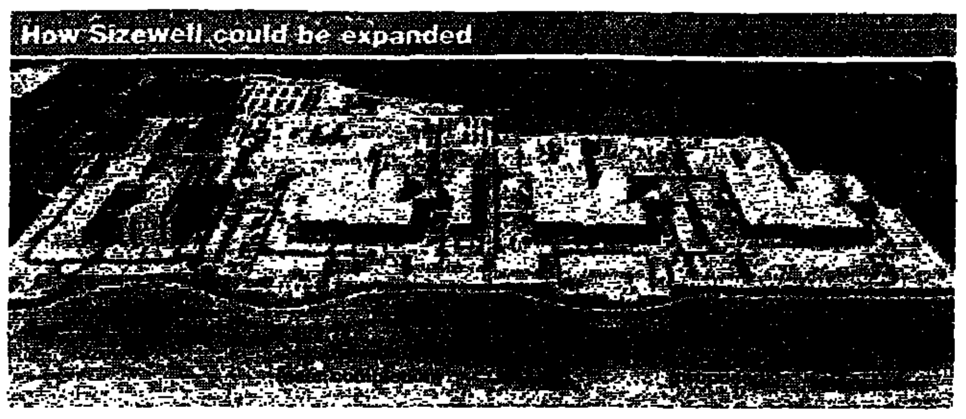
Mr Bob Hawley, Nuclear Electric chief executive, said he expected this year's market price of about 2.4p a unit of electicity to rise in future years but it would still "take government commitment and support to build any new nuclear power station."

Nuclear Electric's submission, totalling more than 150 pages, pleads the case for the 2,600 MW Sizewell C on the Suffolk coast but also raises the possibility of building a third, smaller plant at Hinkley Point, Somerset, on the Bristol Channel. The company already has planning permission for such a plant.

Hinkley C would be easier to finance than Sizewell C, due its smaller capital cost, £2bn compared with £3.5bn at Sizewell, but it would offer a slightly lower return on capital, says Nuclear Electric.

In its submission, Nuclear Electric confirmed privatisation was its "top priority."

"We need commercial freedom to compete on equal terms and to develop our business," Mr John Collier, the company chairman, said.



How Sizewell could be expanded

The company backed its case for privatisation by announcing sharp improvements in efficiencies, with operating losses cut to £224m last year against £564m in 1992-3 and costs per unit of electricity down from 3.6p to 3.1p.

In addition, it said, major progress in quantifying and reducing liabilities for fuel cycle and decommissioning costs had largely removed the original obstacles to privatisation.

Nuclear Electric's submission will be strongly contested during the review which is likely to take up at least most of this year.

Greenpeace, the environmental pressure group, condemned the company's case as wishful thinking.

Rival power generation companies believe the figures the company uses to support its arguments are optimistic. They dispute its claim that it will soon become the lowest-cost producer of electricity in the UK market.

Mr Mike Kirwan, finance director, said building Sizewell C would need government help in securing long-term contracts, although he said the prices would not necessarily have to carry a premium to those in the market.

Similary sharing regulatory risk, another pre-requisite for a new power plant, may not lead to any spending by the state. "It may cost the government nothing," said Mr Kirwan.

Scotland wins record inward investment share

By James Buxton, Scottish Correspondent

Scotland had an outstandingly successful year in securing inward investment projects during 1993/94, according to the annual report of Locate in Scotland, the inward investment bureau.

The report showed that 95 inward investment projects were committed to Scotland, the highest number of projects since 1981.

Total investment of £587m was planned which would create 7,688 new jobs and safeguard a further 3,384, making a total of more than 11,000.

This compares with investment of £352m secured in 1992/93, which involved 65 projects and created or safeguarded more than 8,000 jobs.

Though Mr Allan Stewart, Scottish Office industry industry minister, warmly welcomed the figures, the Scottish Office cautioned that "not all projects proceed exactly as planned.

On average around two-thirds of planned direct jobs are achieved." However last year's performance will help rebut sceptics who have argued that Scotland is declining in appeal as a location for inward investment in face of competition from Ireland, Spain and countries in eastern Europe.

Some 62 per cent of the total planned investment for 1993/94 comes from the US, and of that 85 per cent was reinvestment in existing plants, such as a £7m expansion by the computer manufacturer Compaq, creating a further 250 jobs.

Some 22 per cent of new investment came from continental Europe and Scandinavia, 11 per cent from the rest of the UK and only four per cent from Japan and Asia.

Almost half of all new investment was in the electronics sector, followed by investment in chemical and engineering sectors.

The largest single sum committed was £93.4m to be invested over five years by Hoffman La Roche in its chemical plant at Dalry, Ayrshire.

BT entertainment ban is queried

By Andrew Adonis

Sir Bryan Carsberg, director general of fair trading, raised fears yesterday about the impact of a lengthy continuation of the current ban on British Telecommunications carrying entertainment services.

Sir Bryan told an FT conference in London that the ban "may create local [telecommunications] monopolies in the shape of cable television companies."

"If continued for too long, it may deny BT the opportunity to make its competitive contribution," he added. The tone of his remarks was in sharp contrast with those of ministers and Mr Don Cruickshank, his successor as head of Oftel, the telecommunications regulator.

The government's ban on BT extends until at least 2001, although Oftel is empowered to report on the desirability of lifting it from 1998. When imposed in 1991 its aim was to encourage cable companies – mostly US owned – to invest in local cable networks, providing telecommunications services in competition with BT.

BT claims a continuation of the ban is constraining it from investing in the UK, since it would need revenue from interactive entertainment services to justify further upgrading of its local network.

Pointing to the cable operators' success in attracting more than 400,000 telecoms customers within two years Sir Bryan said the ban looked set to be "quite successful."

However, in his speech he pointedly looked forward to an ending of the ban to ensure effective competition. "In this matter, timing is everything."

Only last month Mr Cruickshank downplayed the prospect of even a review of the BT ban before 2001, and expressed little sympathy with BT arguments that local cable monopolies would result from delay.

"If I were a financier, I would not invest in a cable company franchise unless the restriction was in place," he told the House of Commons trade and industry committee.

Mr Heseltine, trade and industry, has taken the same position. Earlier this month he flatly rejected a Labour party proposal to lift the ban in return for BT agreeing to make the investment – estimated at about £15bn – necessary to extend fibre-optics into its local network.

London's world role 'under threat'

By John Willman, Public Policy Editor

Weaknesses in the way that London is governed are damaging its reputation as a centre of world business, says a report published yesterday by the Confederation of British Industry, the employers' association.

The report, described as a business plan for the capital, says that London lacks a "board and management" that could create a vision for the future and implement the decisions necessary to sustain London's role as a world city.

There are "fundamental weaknesses", the CBI says, in "the complicated and uncoordinated way policy is determined, services are delivered and taxpayers' money is spent".

The report has been submitted as the business contribution to the London Pride prospectus, being drawn up at the government's request by London First, the business-led organisation. It says that London's aim should be to become the most successful city in Europe for business by the year 2020, where the key decision-makers and market-leaders want to locate.

The report includes 120 steps needed to achieve this vision, including the CrossRail line, a high-speed channel tunnel rail link, more bridges over the Thames and improvements in public transport.

London already contributes a £10bn surplus to the UK's balance of trade, according to Mr Ian Reeves, the CBI's London regional chairman.

The report recommends that London First should have an official advisory role for the Cabinet sub-committee for London and the new Government Office for London. This would give a voice to the London boroughs which are already represented on the London First board.

The CBI also calls on London MPs to form a cross-party group to support the objectives of the business plan.

Staff at Hoechst were thoroughly involved in the introduction of a new system, writes Claire Gooding

A cross-border people project

Gerhard Storch, financial director of Hoechst UK, is well-versed in promoting the idea of a global accounting system. He has a prepared presentation, complete with slides. The project has an inspirational name, Apollo, with its own sunrise logo. Stories about it appear regularly in the Hoechst newsletter.

Storch is clear about the objectives for Hoechst's system. "First, it is not an accounting project. We are looking to improve customer service. Nor is it a Gerhard Storch project – it involves everyone in the Hoechst group in Europe. The system we are looking for is likely to improve the service to our European subsidiaries in the area of information delivery."

Global systems, especially global accounting systems, are cost effective, enforce standards and bring together different information sources. The German-based Hoechst group is far from alone in its desire to implement such systems across national borders, but few companies can have looked into the idea so thoroughly, and done so much to prepare the ground – and the people.

With annual sales of DM46bn (£18.4bn), Hoechst ranks among the world's chemical industry leaders. Founded 125 years ago, it was the originator of the vivid dyes that brightened clothes fabrics in the late 19th century. Now, it has interests in chemicals, pharmaceuticals, fibres, polymers and paints. Its operations in 120 countries include research laboratories in 15 of them, and it employs 170,000 people worldwide.

"We have a target that our European business should operate in a seamless way in its information flow," says Storch, "whether it comes from marketing information or in the process of receiving orders, planning, processing and, ultimately, delivering to the customer. People need accurate, up-to-date information to know that they can deliver to the customer on time."

There are problems to surmount in introducing such compatibility: agreement on aims and universal requirements in-house; choice of software; the weaning of people from their trusted software packages; and, finally, the development of new approaches.

Choice of software was relatively straightforward. Many suppliers claim to offer software that is global, multi-currency, flexible and capable of being customised to the degree Hoechst needed. But Hoechst found few real contenders, especially as it had not yet moved to open systems and was still planning to use its mainframe computers. However, one German division was an enthusiastic user of the German-originated SAP accounting software.

Storch: 'A global strategy for information systems has to rely on co-operation and communications, not imposing or prescribing'

The group was thus convinced that this modular package offered the most flexible and full-function solution available. It chose SAP's R/2 software for international use on its IBM 3090 and 9021 mainframes. (SAP now offers a Unix-based package, R/3, which arrived too late for Hoechst.)

There were a few deficiencies, made good by developments in SAP's own software language. For example, Hoechst needed a credit management module and undertook a joint development with SAP in the UK to replace a £500,000 in-house software project. In spite of lower functionality, this write-off was a sacrifice worth making for the integration with other SAP modules. Altogether, the investment from the UK, which piloted the development, was roughly £3m; with seven other European countries involved – France, Austria, Spain, Italy, Belgium, the Netherlands and Germany (co-ordinator) – the total cost was thus around £21m.

A Hoechst man for 33 years, Storch did not underestimate the difficulty of weaning users from their existing systems, some of which had been international. These included a bespoke sales order processing system used in the UK, France, Italy, Spain and South Africa, and the mainframe accounting software that MSA (now Dun and Bradstreet) implemented in the UK, Spain, and South Africa 10 years earlier.

Storch was keen to transfer his company-wide vision to the people who would use the software. He set up committees in each of the countries contributing to the development. "We felt that a public relations effort was the only way to get it off the ground by a corporate agreement, not a central directive. It was essential that it be led by national companies. A global strategy for information systems has to rely on co-operation and communications, not imposing or prescribing."

SOFTWARE AT WORK

Each team had subcommittees, chaired by the division director. Some countries provided specialist expertise: Spain and Italy on revaluation of assets, for example, and Belgium on VAT rules. Meeting every six weeks or so, the committees wrestled with the details of what turned out to be a rich but complex solution. Some extra modules – cost accounting, and a transport system for dangerous goods – were a part of the UK pilot.

"It's very complex. It requires a great amount of know-how in development and in presentation. Also, it is complex for users, and needs a lot of training. People have to learn as they go along, but we have also had to cope with differences in language and culture," says Storch.

IT organisation manager John Haywood was part of the change management committee. "We have had to train 400 users in the UK, some of whom have never seen a terminal," he says. "We implemented the scheme through a series of workshops, mixing IT people and end users, so that they learned on the hoof about business processes."

Even so, there were logistical problems – some to do with warehousing control and computerisation and others with employees' inexperience.

The live switch was thrown on the entire system, including three new modules, on the May bank holiday weekend this year. Some 409 users are spread across the UK headquarters west of London in the accounting, chemicals and pharmaceuticals divisions.

"After a couple of weeks live with 409 UK users there were comparatively few problems. But we are in the hands of one central software developer – through seven national suppliers in the countries, with the master development in Germany," says Haywood.

SAP, inevitably, has its own agenda. Product updates and releases cause problems to companies such as Hoechst, even though such maintenance is done centrally. SAP's new R/3 software is still going through implementation in its first live sites.

Other companies agree on the extremely rich functions available with SAP, even though, according to Storch, "only 25 per cent of the functionality is exploited by any one company".

Mike Demetriou, group chief accountant, has been using SAP software since the first implementation of bought sales and general ledgers two years ago. The newly implemented modules for production costing and sales, RKK and RKE, bring a fresh dimension to his job. They integrate all the information entered in sales and production to produce a detailed analysis at any level. This means he can take a detailed view, by date, customer, invoice and product, of any data. "I log on daily looking at, for instance, total company performance at the end of the month. If I see a result I don't like, I can go into the hierarchy and look at major divisions, starting to select the route – for example, pharmaceuticals.

"You don't need anyone else to make an inquiry for you – you can do it all yourself, working right down into the detail. If a senior manager doesn't like what he sees in the pharmaceutical budgets, for example, one keystroke will show all the costs that contributed: salaries, travelling, right down to specific transactions – someone's foreign trip. He doesn't have to call in anyone else, so long as he's trained."

Business managers now have a broader knowledge of accounting, and accountants have a broader view of the business. Hoechst's main investment, as Storch constantly emphasises, is not in the system but the people.

Evening primrose in cancer fight

James Buxton on promising trials with a dietary supplement

A pharmaceutical plant in the Outer Hebrides of Scotland is being expanded to produce commercial quantities of new drugs, one of which is already extending – in clinical trials – the lives of sufferers from a particularly deadly cancer affecting the pancreas.

The location of the plant, at Callanish on the island of Lewis, is unusual; so is the fact that it makes its products not from synthetic substances but by extracting the active ingredient of the evening primrose plant.

The expansion of Callanish, costing £4.5m, is the latest step in a long process of discovery and development led by David Horrobin, a scientist and entrepreneur whose company Scotia Pharmaceuticals last year raised £37m in its London stock exchange flotation.

Horrobin has been exploring the contribution to human health made by essential fatty acids, an area of medicine on which the big pharmaceutical companies have not focused heavily. He has found that sufferers from a wide range of illnesses often have a deficiency of EFAs.

Scotia makes products aimed at making up this deficiency. Since 1979, it has sold evening primrose oil as a dietary supplement under the name Efamol and used the proceeds to finance the development of pharmaceuticals based on EFAs. It has four licensed drugs, to treat breast pain and skin diseases.

It is also at different stages of developing drugs to treat a range of diseases, from cancer and diabetes to rheumatoid arthritis, Alzheimer's disease and schizophrenia. Horrobin has found that a common thread in sufferers of all these diseases is a deficiency in EFAs.

Scotia's basic research is carried out in Nova Scotia with further work done in Carlisle and Dundee. In 1986, it acquired for £300,000 a plant at Callanish. Since then, Callanish has perfected a process for extracting from evening primrose-oil its most important element – the EFA named gamma linolenic acid.

The evening primrose itself is not grown commercially on the windswept islands; the oil comes from a Scotia plant at Lincoln which processes seeds grown by farmers in different parts of the world.

The remoteness of the Western Isles is not a problem, says Chris Corden, the plant's manager. "We use relatively small volumes of evening primrose oil, and we benefit from the very high calibre of scientists and skilled personnel on Lewis."

The expansion at Callanish is intended to step up production of two products, DLMG for diabetic neuropathy (nerve damage caused by diabetes) and EF13 for cancer.

Horrobin is quietly excited about EF13. "Most cancer drug treatments are unsuccessful, prolonging survival time by only 10 to 15 per cent," he says. "Chemotherapy might increase a patient's life expectancy from five years to 5.5 years. And these treatments are highly toxic, causing nausea and vomiting." By contrast, he says, clinical trials of EF13 (phase II trials) have shown encouraging results.

"Pancreatic cancer is the most devastating of all cancers," Horrobin says. Ninety per cent of cases are inoperable on diagnosis and life expectancy is only three months. But patients given EF13 have found their survival time increased four to sixfold, in other words from three to up to 18 months.

Horrobin says that the patients treated improve more the bigger the dose they receive, while side effects are nil. The product is now moving on to a randomised phase III trial which by the end of 1995 will involve about 30 hospitals in Europe and more than 400 patients. The next stage is to qualify for a license.

Laboratory trials show that about 30 human cancer strains are killed by EF13 without harming normal cells, and beneficial effects are reported from phase I and phase II trials on patients with breast, colo-rectal, brain, liver and melanoma cancers. And a team at St Bartholomew's hospital in London has found that EF13 selectively kills white blood cells infected with HIV, the Aids virus.

Small cheques, big problems

Exporters owed tiny amounts face steep bank charges

A year ago Colefax and Fowler, the up-market UK fabric and wallpaper maker, was facing a revolt in continental Europe. Export sales were increasing from its fabric division, but distributors and retailers were up in arms because of the amounts their banks were charging for the large number of small cheques Colefax required.

Faced with this, customers tended to wait until they had received a number of invoices before paying; and in return Colefax and Fowler had begun threatening legal action. Worse, many customers were paying with foreign currency cheques written on their local banks which took up to 28 days to clear in the UK.

The revolt came to a head at last July's annual distributors' meeting. Without knowing how to achieve it, David Green, Colefax and Fowler's chief executive, promised a solution by September.

Colefax and Fowler's experience is by no means unique. All UK exporters making large numbers of relatively low-value sales will have met the problem. When French or German customers pay Franc or D-Mark cheques the banks can charge the equivalent of at least £15.

If, as with Colefax and Fowler, each invoice is only £96 on average, these bank charges stack up. Telegraphic transfer is no cheaper and even if payment is made directly to foreign currency accounts at a UK bank the banks will still take up to 28 days to clear each cheque.

Colefax and Fowler found a solution that would not be necessary in a genuine single European market. With help from the Bank Relationship Partnership, a London-based consultancy that helps cut the cost of banking, Colefax and Fowler set up local currency bank accounts in each country where it has a significant customer base.

Customers now pay directly to Colefax and Fowler's local account, for which the charges are minimal and where payments are quickly cleared. The next stage is the clever part.

Instead of sending bank statements to the UK, the local bank in Germany sends them daily to the local office of EDM, a Netherlands-based agency that handles the collection of huge quantities of small payments for companies such as National Geographic, Newsweek and New England Journal of Medicine.

EDM then faxes Colefax and Fowler details of what they have received that day, enabling the company to credit the customers' accounts. When cash balances reach a reasonable size, the money is transferred to the UK.

The saving is not only at the customer's end. Colefax and Fowler says that on export sales of £4m a year, it has saved about £45,000 on lost interest while its foreign cheques were clearing.

The company says this may indirectly have increased sales; some customers were being denied credit not because they had not paid old invoices but because their cheques had not cleared.

Because the customers were no longer hoarding invoices before paying, export creditor days have fallen from 86 to 73 days. And as some customers were also deducting their bank's charges from the invoice amounts, Colefax and Fowler also saved bank charges.

"It has enhanced our customer service immensely," says Denise Walker, chief financial accountant at Colefax and Fowler. "They can buy more and it is very satisfactory from an administrative point of view."

Walker says the company's own bank, Midland, were "either apathetic or just didn't have the service". Midland said it could set up foreign accounts or a lockbox – a variant of the system put in place for Colefax and Fowler. "But that was the last we heard of it. They were not interested at all."

Green missed his September target by a month as opening bank accounts in some countries proved to be easier said than done. But the company says many more exporters are likely to use this kind of service.

RG

Richard Gourlay on a broadside attack against BS5750

Quality under fire

Quality in management, manufacturing and the provision of services is a bit like motherhood and apple pie; everyone these days is in favour. How this elusive goal is best pursued, however, is increasingly contentious.

Last week the quality industry, which has sprung up in the UK around the BS5750 quality standard, received a broadside from the heart of the British scientific establishment. In a 100-page report, the Science and Engineering Policy Studies Unit, a body whose parents are The Royal Society and The Royal Academy of Engineering, accuses the national quality "industry" of being inward-looking, insufficiently focused on the customer and attracting its "share of cowboys".

It says the BS5750 quality standard is but a small part of total quality management and that it tends to enshrine existing practices rather than encourage continuous improvement. Sepsu argues for greater recognition for companies doing their own quality assessments and says UK competitiveness needs more award schemes such as the UK Quality Award launched earlier this year.

"The quality assurance business is run largely by . . . assessors, certifiers, accreditors, consultants," the Sepsu report says. "It is not run by its customers. Indeed, there is a temptation for the assessors etc to regard each other as their customers with the real customer nowhere to be seen."

Sepsu's criticism comes just two months after Brussels entered the debate with a European Commission document called Elements of Community Quality Policy. This paper aims to put ISO 9000 – the European equivalent of BS5750 – in perspective as part, but only part, of the quest for competitiveness.

Elements of the Sepsu report are likely to be endorsed in the autumn when they are incorporated in a Department of Trade and Industry document called Managing in the 90s.

Looming largest in Sepsu's sights is the British Standards Institution, which not only sets quality standards but, through its BSI Quality Assurance arm, certifies more than 50 per cent of companies seeking BS5750. Describing BSI's domination of the accreditation market as "unhealthy", the Sepsu report says: "There is thought to be too much scope for partiality between the quasi-legislative BSI, which is under constant pressure to increase the income from non-government sources, and its commercially successful offshoot."

Derek Prior, director of communications at the BSI, agrees some of the infrastructure that has sprung up around BS5750 certification does need over-hauling. He rejects the report's suggestion that BSI's certification and standards-setting functions should be split. And he also doubts whether self assessment could ever replace external assessment by certification bodies.

The report reviews existing research into quality management and draws on interviews with 12 companies and 58 witnesses, including the quality assurance director of Nissan Motor Manufacturing UK and representatives from the Confederation of British Industry and the DTI.

"We are putting ISO 9000 in its place, it has a place but it is not the whole game," says Peter Collins, Sepsu director. The two standards address only a small fraction of what companies need to manage if they are pursuing a total quality approach, he says. "If unimaginatively implemented, ISO 9000 can easily become a tool for codifying and freezing current practice; total quality management is much more concerned with continuous improvement."

Sepsu contrasts the scope of the BS5750 standard with the nine areas the UK Quality Award seeks to examine – a definition of quality that was originally taken from the acclaimed Baldrige Award in the US. In focusing on processes, BS5750 addresses only one of the nine areas that the award's architects consider contribute to excellence. The other eight, which are largely ignored, are leadership, people management, policy and strategy, resources, people satisfaction, customer satisfaction, the impact on society and business results.

Collins says more than 1m copies of the Baldrige Award questionnaire have been sent to companies, simply because they are useful tools for self-assessment.

The report questions BS5750's place in smaller companies. While few small businesses would not benefit from adopting its basic principles, the costs of obtaining third party accreditation may be inappropriate.

It suggests the government could provide funds to spread the idea that self-assessed quality management programmes are a powerful catalyst for sustained improvement in performance.

The British Quality Foundation could also consider developing another quality award category for companies with fewer than 50 employees. Quality awards, the review says, have proved an effective stimulus to change. "The value of Baldrige, the European Foundation for Quality Management and the British Quality Foundation awards is that they are sophisticated tools for self-assessment, rooted in experience," Sepsu says.

The review also makes recommendations about the people and organisations behind BS5750.

- As a minimum measure, certification bodies should employ only registered assessors.
- The encouragement of mergers between the 34 certification bodies should be considered by the government. The fact that some certifiers are themselves not accredited by the National Accreditation Council for Certification Bodies weakens the whole BS5750 system.
- The government should ensure that consultants used to help businesses prepare for certification meet the most rigorous standards if they are to be used by companies subsidised by DTI schemes.
- The report also questions the wisdom of the DTI's decision to reject a suggestion that BSI and its certification arm, BSI Quality Assurance, be split. The DTI has instead already asked BSI to reinforce the ring-fencing of functions.

At the heart of Sepsu's recommendations is the assertion that truly enduring quality improvement programmes originate within an organisation and are not imposed from outside.

It is one view. The "external" certification industry, worth £80m a year to consultants and assessors, according to one estimate, not unexpectedly has another.

**UK Quality Management – Policy Options, Sepsu. Tel 071 839 5561*

In a Nutshell

Checklist for staying solvent

Many insolvencies could be avoided if company directors were aware of mistakes made by other businesses.

London consultants Ringrose have produced a checklist for directors based on a review of 250 insolvencies during the recession.

More than a third of these companies could still be trading had they taken measures included in the checklist early enough, it is claimed.

The list includes questions and skeleton solutions. It asks directors to plot 12 months' gross profit and fixed costs and see if the lines are converging; it asks whether directors always draw up cashflow forecasts to quantify the effects of accepting a large order; it suggests simple calculations of stock turn and trade receivables: if these fail to pass muster, it recommends management time be dedicated urgently to stock control and collection of bills.

Checklist available from 071 383 4142.

Barclays calls for business 'Tessas'

Barclays Bank is calling for the introduction of tax-exempt business savings accounts to promote long-term investment in the small business sector.

These business "Tessas" would operate in the same way as their personal sector equivalent. Businesses could invest retained profits in a special account which would be tax-deductible over a set period (three to five years). The funds could then be used for approved purposes such as capital investment, R&D or training.

Barclays' research shows that 78 per cent of businesses prefer retained profits as a source of funding rather than bank overdrafts or venture capital. Some 87 per cent would re-invest more of their profits if the tax system were altered.

PEOPLE

DTI enlists the great and the good for its governance committee

The Department of Trade and Industry has announced its committee of the Great and the Good to examine whether relations between investing institutions and UK corporations can be improved.

Committee chairman is Paul Myners, the sometimes outspoken chairman of Gartmore, the fund management company, who is viewed as a hawk on matters of corporate governance. Discussing the committee's role, Myners takes a diplomatic stance: "I think it is primarily an issue of communication (between shareholders and corporate management). But it can mean that managers are hesitant about committing capital to long-term projects."

However, whether the committee offers a radical solution to the perceived problems of short-termism in investment remains to be seen. The members, drawn from leading corporations and investment houses, can come up with meaningful suggestions. "The challenge will be for us to produce something interesting," concedes one member.

Other members are Hugh Collum, finance director at SmithKline Beecham, who has served there since the early 1980s and is credited with helping restore the company's fortunes. He is also a former chairman of the influential 100 Group of Finance Directors which at times has been at loggerheads with shareholders over corporate governance issues.

Also on the committee are Bernard Harty of the Chamberlain Corporation of London which advises local authority pension funds, Huw Jones, director of corporate finance at Prudential Portfolio Managers and chairman of the Association of British Insurers Investment Committee. Also present are James Joll, finance director of Pearson, owner of the Financial Times, and Richard Lapthorne, currently finance director at British Aerospace who came to his post from Courtaulds following BAe's ousting of its former chairman Roland Smith.

Other committee members are Colin Lever, head of the investment division at actuarial consultants Bacon and Woodrow, Geoff Lindey, head of UK institutional investment at JP Morgan Investment Management and chairman of the National Association of Pension Funds investment committee, and William Stuttaford, chairman of the European division of Invesco, who formerly headed Framlington, the fund management company.

Jack Gleeson

Jack Gleeson, former chairman and managing director of construction, housebuilding and property group, M.J. Gleeson, has died at the age of 84.

He held the two top posts at the company for 38 years following the retirement in 1950 of his uncle M.J. Gleeson, who founded the company in 1903.

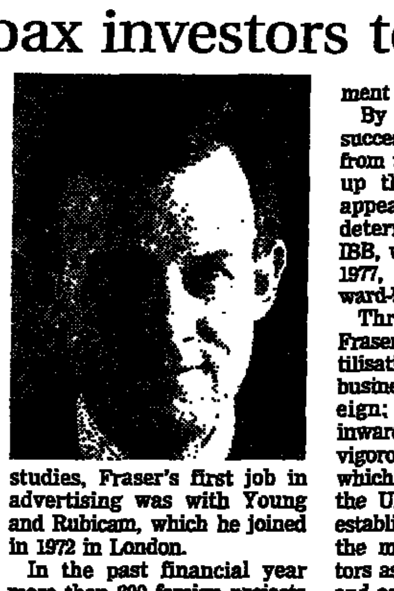
Jack's nephew Dermot became md in 1988 but Jack remained non-executive chairman until his death.

He ran away from home at Cloonmore in west Ireland at the age of 16 to travel to Sheffield where his uncle reluctantly agreed to employ him and rose rapidly as the company expanded. It was under Jack Gleeson that the group went public in 1960. The extended Gleeson family still owns about 40 per cent of the company.

The business in the year to June 1993 made a pre-tax profit of £8.2m on a turnover of £168m. It has yet to announce a new chairman.

Fraser to coax investors to Britain

The Invest in Britain Bureau, now a separate division within the UK's department of trade and industry responsible for internationally marketing Britain as an investment opportunity, has created a new post of chief executive. Andy Fraser, 43, will be the first incumbent, as from July 4.



Fraser's background is solidly within the world of international advertising. Born in Kuala Lumpur, since April 1992 he has been managing director of CDP Europe, the advertising agency now 43 per cent-owned by the Japanese agency Dentsu.

Before that he was executive vice president and director of business development for Saatchi & Saatchi advertising worldwide. He spent 1976-80 in Thailand, where he was managing director for McCann-Erickson. A graduate of Sussex University, where his degree was in English and American studies, Fraser's first job in advertising was with Young and Rubicam, which he joined in 1972 in London.

In the past financial year more than 300 foreign projects worth an estimated £1.3bn and generating more than 56,000 jobs have been attracted into the UK via the operations of the IBB, which is the UK government's main inward investment promotions agency.

By tempting a well-paid and successful marketing executive from the private sector to take up this new post, the DTI appears to be signalling a determination to make the IBB, which was first set up in 1977, a more flourishing, outward-bound entity.

Three core tasks await Fraser: furthering the cross-fertilisation between the DTI and business, both British and foreign; stimulating greater inward investment by a more vigorous marketing campaign which preaches the virtues of the UK's economic base; and establishing the IBB firmly in the minds of would-be investors as the first stop for advice and assistance.

The current director of the IBB, Christopher Priston, who has been a civil servant since 1973 after working for Fisons, Courtaulds and others, will become deputy chief executive.

Non-executive directors

Nigel Rudd, 47, chairman of Williams Holdings, is severing his ties with one of the three Derby companies he has been involved with for many years. He is stepping down as a director of Raine Industries, the building materials group that he chaired for six years. He will retire as vice chairman and leave the board after the next agm.

Trevor Finn, 36, chief executive of Pendragon, the up-market car distributor floated off by Williams four years ago, joins the board on July 1. Peter Parkin, Raine's chairman, says the fact that Rudd is chairman of Pendragon, which is based a block away from Williams on Derby's Sir Frank Whittle Road, had nothing to do with Finn's appointment. Parkin, who chairs Raine's nominations committee, says he had been looking for "a young, successful chief executive of a plc operating in the Derby area".

- **Donald McFarlane** is chairman of SENIOR ENGINEERING and not the former chairman.
- **Malcolm Argent**, a director of BT, at CLERICAL MEDICAL AND GENERAL LIFE ASSURANCE SOCIETY.
- **Clive Lewis**, joint chairman of Erdman Lewis and deputy chairman of the Merseyside Development Corporation, at TOWN CENTRE SECURITIES.
- **William Proby**, president of the Historic Houses Association, at BOOKER Countryside.
- **Geoffrey Boulton** has resigned from INGHAMS having completed an 18-month executive contract.
- **John Hockaday** has retired from CHARLES BAYNES.
- **David Dugdale**, former deputy chairman of James Capel, at BARONSMEAD.
- **Robert Froy**, md of Lloyds Bank Stockbrokers, at McLEOD RUSSEL HOLDINGS.
- **Geoffrey Deith**, former chairman of Aynsley Group, at ACAL; Derek Kingsbury is retiring.
- **David Bucks**, former deputy chairman of Hill Samuel Bank, and John Morgan, ex-chief executive of Imro, at YAMAICHI BANK.
- **Antony Chattwell** at UNITED BREWERIES.
- **Tony Robinson**, md of Hoskyns, at AZLAN GROUP.
- **James Cowan** at EDINBURGH FUND MANAGERS.

BUSINESS AND THE LAW

Commission loses in PVC cartel case

EUROPEAN COURT

The European Court has dismissed the European Commission's appeal against the decision of the Court of First Instance in a case involving an alleged cartel in the European chemical industry. The ECJ annulled the Commission's decision for procedural irregularity because it failed to authenticate the decision in accordance with its rules of procedure.

However, the court set aside the CFI's ruling of 27 February 1992 on the grounds that it had been wrong to decide that the Commission's decision was non-existent.

In December 1988, the Commission adopted a decision ordering several chemicals companies to terminate an alleged cartel agreement in the plastics sector and imposing fines totalling $27.5m. Fourteen PVC companies appealed to the CFI. In the course of the court proceedings, the Commission admitted that it could not produce a copy of the original decision signed by the president of the Commission and the executive secretary as required by the Commission's internal procedural rules.

The CFI also found breaches of the Community law principle of the unalterability of Community decisions. Differences existed between the various legally binding language translations of the decision published in the Official Journal and notified to the parties after adoption by the Commission in December 1988.

The CFI decided that the lack of authentication of the decision by the Commission was so serious that Community law required the Commission's decision to be declared non-existent.

The Commission appealed against the CFI's ruling to the ECJ. It relied on four grounds. The ECJ only considered one, since it found in favour of the Commission and set aside the CFI's decision of 27 February 1992 because it contained an error of law.

The ECJ agreed with the Commission that a procedural defect such as the Commission's failure to authenticate a measure in accordance with its procedural rules had to be of sufficient gravity before it could be treated as legally non-existent.

The ECJ said acts of EU institutions are in principle presumed to be lawful and accordingly produce legal effects, even if they are tainted by irregularities, until such time as they are annulled or withdrawn.

By way of exception to that principle, acts tainted by an irregularity whose gravity is so obvious that it cannot be tolerated by the Community legal order must be treated as having no legal effect and as legally non-existent.

The purpose of the exception, it said, was to maintain a balance between two fundamental, but sometimes conflicting, requirements with which the legal order must comply, namely "stability of legal relations" and "respect for legality".

The ECJ went on to state that when it sets aside a decision of the CFI, it had the power to give final judgment in the original appeal where the state of the proceedings permitted.

The court only dealt with the argument raised by the PVC companies relating to the Commission's failure to comply with the authentication requirements in its own rules of procedure. They stated: "Acts adopted by the Commission, at a meeting or by written procedure, shall be authenticated in the language or languages in which they are binding by the signatures of the president and the executive secretary."

The ECJ said that contrary to the Commission's claims, the authentication rule was not a mere formality but was intended to guarantee legal certainty by ensuring that the text adopted by the College of Commissioners became fixed in the languages which were binding. In the event of dispute, it could then be verified that the texts notified or published corresponded precisely to the text adopted by the college.

The ECJ, therefore, annulled the decision for infringement of essential procedural requirements, ordering the Commission to pay costs. On 15 June, the Commission stated in a formal press release (IP/94/538) that it intended to adopt the decision again without any procedural defects.

C-137/92 P: Commission v BASF etc, ECJ FC, 15 June 1994.

BRICK COURT CHAMBERS, BRUSSELS

Transatlantic alliance

Robert Rice considers the implications of a US-UK legal merger

Transatlantic mergers between law firms are back on the agenda. After a lull of three years – the result of recession on both sides of the Atlantic – commercial lawyers in the UK and the US will today wake up to the news that two firms are joining forces: Titmuss Sainer & Webb, a medium-sized City of London firm will throw in its lot with Dechert Price & Rhoads, a large Philadelphia-based US firm.

The new partnership will be known as Titmuss Sainer Dechert. Dechert's London office will close and its London partners will become partners of the new alliance while remaining partners of Dechert in the US and in Brussels.

What most City lawyers will want to know is whether the alliance represents the start of the long-expected rush to form transatlantic partnerships, or whether it is merely the extension of the type of exclusive mutual referral of work which has been the basis of several transatlantic relationships, such as that of Los Angeles-based O'Melveny & Myers and City solicitors Macfarlanes.

Mr Michael Smith, senior partner of Titmuss, and Mr Eddy Kling, the partner in charge of Dechert's London office, say the arrangement is a merger in all but name. Together the two firms will have more than 450 lawyers in eight locations enabling them to advise domestic and international clients on a broader range of UK, European and US issues. Certainly, Mr Smith and Mr Kling believe, the arrangement goes beyond any of the current referral arrangements between US and UK firms.

In the heady period of the late 1980s there had been much talk of mergers between large US and UK practices to form multinational law firms capable of meeting the challenge of providing legal services on a global scale. But the economic slowdown in the US and the UK put such plans on hold. As the two economies move out of recession and firms look to expand once more, transatlantic mergers are been actively considered again.

Firms which struggled during the recession are busy pondering what they should do to regain market share. With significant over-capacity in the domestic legal markets both in Europe and the US, expansion overseas is one obvious option. But funding international offices is expensive for all but the most profitable law firms. A merger with a strong US law firm could provide the answer for medium-sized European firms.

Does the Titmuss/Dechert alliance fall into that category? Mr James Wyness senior partner of City-based international law firm Linklaters & Paines saysthe market would interpret the Titmuss/Dechert alliance as, in effect, a takeover of Titmuss by Dechert.

Partners in tow: Michael Smith of Titmuss, Sainer & Webb, Tom Morris, senior partner with Dechert Price & Rhoads and Dechert's Bart Winokur

Dechert is by far the bigger of the two. Dechert, ranked 47th by size in the US, had 136 partners and 336 lawyers according to the *American Lawyer* magazine's 1993 league table of America's top 100 law firms. Titmuss, in contrast, is ranked 39th by size in the UK with 48 partners and 147 lawyers, according to *Legal Business* magazine's 1993 top 100.

There is also a big difference in the financial performance of the two firms. According to *American Lawyer* Dechert was ranked 56th by gross revenues in 1993 with a turnover of $108m for the 1992-93 financial year. It was ranked 67th in profitability with profits per partner of $315,000. According to *Legal Business* Titmuss had a turnover of £19.8m in 1992-93, placing it 39th in the UK top 100 law firms with profits per partner of £158,000 (36th).

In spite of these differences, Mr Wyness says that the link-up still falls short of a full merger. "For a start it doesn't involve full profit sharing," he says. "Yet it is more than an arrangement to refer business to one another."

In effect, Titmuss is taking on Dechert's London and Brussels partners. The arrangement will give Dechert a stronger English law capability and Titmuss a strong US referral stream, a Brussels office and a transatlantic dimension.

Both firms have assessed the impact of the loss of referral work from other law firms and the impact on their existing client base and concluded that their link-up would lead to an increase in turnover, an improved image and better services to clients, Mr Wyness says.

The firms say they are keen to secure a bigger slice of the global legal services market and believe they would be better placed to achieve this as a single unit.

Most legal observers say the alliance is unlikely to have a big impact on the legal services market, largely because the two firms are both medium-sized in their respective markets. "It's not a blockbuster", Mr Wyness says. The big shake-up will come when two top firms – such as Freshfileds and Davis Polk Wardwell – decide to form an alliance.

Medium-sized London firms which compete head on with Titmuss may be more shaken by the alliance, he says. "A number of them may well say 'why don't we do the same'. But they will have to ask themselves whether they are better able to serve their clients independently or in an arrangement such as this. A lot may be tempted by the idea that such an arrangement might enhance their image," says Mr Wyness.

What do the clients of Titmuss think about the arrangement?

Mr Darren Clayton, company secretary of Travelex, the international bureaux de change operator which has been using Titmuss for some 16 years, said his initial reaction was "very positive." The law firm's approach squares with Travelex's entrepreneurial style, he says. Last year Travelex opened up bureaux at airports throughout the US and has a considerable demand for US legal services.

In the US, Travelex has traditionally used New York-based law firm Milbank Tweed Hadley & McCloy. But Mr Clayton recalls that on several occasions when he has needed advice on a US matter, he was unable to get it immediately because of the time difference between London and New York. With the new Titmuss-Dechert arrangement, Mr Clayton should be able to get first-hand advice on US issues in London without having to wait until New York wakes up. "That's a superb benefit," he says.

Milbank is also a large firm, he adds, and although Derchert is big by US standards its style appears closer to that of Titmuss, a factor that appeals to Mr Clayton. So will Travelex use Dechert in the US?

Mr Clayton says he will decide after meeting the partners in Dechert's New York office next month. Ideally, he would like to use Dechert in the US. "I've had very good feed-back from the US about them so I can see no reason not to. We are an international company, so for our chosen law firm to become more international can only be good."

But will Dechert's long-standing US-based multinational clients feel the same way about using Titmuss in London? Mr Wyness suggests that Dechert's US-based clients, accustomed to being referred to leading City firms on big transactions, may raise eyebrows if they are suddenly steered towards a (medium-sized) London firm they have never used before.

"I wonder whether the arrangement will bring Titmuss deals it would not have otherwise got," Mr Wyness says.

That will be the litmus test. If the link-up does bring Titmuss more global work, then other City firms could also start to dust off their own transatlantic merger plans.

LEGAL BRIEFS

Nicholson gets its Butler

Nicholson Graham & Jones, a medium-sized City law firm has appointed Mr Jim Butler, former senior partner of KPMG Peat Marwick, as a non-executive member of its partnership board. Mr Butler is chairman of European Passenger Services and a non-executive director of British Rail, Tomkins, the conglomerate, and Camelot, the consortium put together to run the UK National Lottery. His role at Nicholson will be to advise on management issues and act in an ambassadorial capacity.

Mr Michael Johns, Nicholson's managing partner said the firm was looking for a non-executive with a professional services background to take an objective look at the partnership. By appointing Mr Butler the firm was "trying to say we're ambitious, that we want to be seen to be different and that we are flexible", he said.

Nicholson is not the first firm to take on outsiders in a non-executive capacity. Freshfields has two non-executive members of its partnership board. Mischon de Reya also has a non-executive chairman. But Nicholson is the first medium-sized City firm to take-on a non-executive and Mr Johns believes Mr Butler's appointment could spark a trend. Management is an issue for all law firms at the moment, he says.

An unhappy lot

One in three UK businesses is unhappy with its professional advisers according to research by accountants Levy Gee. Less than 40 per cent of companies surveyed thought their solicitors had a good understanding of their business. Half thought their lawyers were good value for money. Only 15 per cent said they were satisfied with advice received.

Hung, but by its own petard

This is not art but a product marketed as such, argues William Packer

In their very different ways, the two exhibitions now filling the Anthony d'Offay galleries say much the same thing of the present avant-garde, at least in its high commercial aspect. None of it is shocking, any more, and goodness knows it must sell very well or it would hardly be where it is. In one sense, at least, it makes very good sense indeed.

But while none of us objects to the successful turning of an honest crust, we are left with a legitimate question hanging in the air: what has any of it to do with art? For what seems to be on offer here is not art as such but a product marketed as art, which is not quite the same thing. Perhaps it is but the cynical exploitation of a gullible market – but need we weep for those in a position to be thus exploited? No: a *fool* and his money, and all that. Only when it begins to take itself seriously, to seek to justify itself in high and abstract terms, does the cynicism betray itself.

Of the two artists on show, Georg Baselitz is at once the more interesting as an artist and, in consequence, the more seriously dispiriting. For here is the once powerful and original painter who, in the late 1970s, adopted the bare formula of turning his pictures upside-down. He has never looked back. At the Venice Biennale of 1980 he showed a monstrous reclining and gesticulating figure. It was rudely carved but possessed even so a raw energy and primitive authority. His sculpture, like his painting, has grown ever more crude and perfunctory in both image and execution ever since.

In this latest show are three large wood-carvings, though hacked rather than carved would be a better description. One is a monumental head, faintly reminiscent in its profile of the Indian tradition. The others are one-armed torsos, of which the larger retains what passes for a head. All three are presented in their raw state, but for the selective application of bright red paint to breasts, eyes and mouths. Again, to say the paint is applied is generous, for in truth it is slapped on, to stick where it hits.

This is what Heinrich Heil has to say in his catalogue note: "Baselitz is on the move, a man possessed . . . he criscrosses the quarry of past forms, preparing the way for his pandemonic will to return in ever new formations . . . Heathenry pervades the entire body of *Frau Paganismus* (Mistress Paganism) – instilled in her by Baselitz, the intellectual iconoclast, not in order to cast out the Alien but to find the Other beneath the gashed smoothness of sacred sculpture." Is it only such rubbish as this, that would have us take it so seriously, that gives cynicism its bad name; or do Heil and Baselitz themselves believe in it?

Celebration of kitsch: 'Popples' by Jeff Koons

The thought that Baselitz is not a cynic at all, but a true believer, would be a matter for real and lasting despair. Whichever the case, the tragedy is that he remains the artist in potential he always was. Even as they stand, these carvings are possessed of a remarkable physical presence for being the humps of wood they are. What Baselitz offers us in such things, alas, is only the proposition of image and idea, never the resolution.

Jeff Koons could never be accused of not taking things far enough. In the face of his excesses, how we wish he could. His mystery lies only in how he has advanced so far in his reputation as an artist at all. We are back to Marcel Duchamp again, and, with his urinal and bicycle wheel, to his ironical play on the nature and status of the work of art – only the poor old innocent was not to know that his *ready-made* would become the byword for all that is mindless and facile in late 20th century art.

Koons has made his fortune by it, first declaring himself as an *artist*, some 10 years ago, by showing squadrons of brand-new Hoovers in gallery cabinets, and floating basketballs – eat your heart out, Damien Hirst – in tanks of water. So he has progressed, as we can see, through model railway engines in stainless steel; St John the Baptist with a pig and penguin in porcelain; naked children; a pile comprising a pig, goat, two dogs and a bird in painted wood; a bear and a policeman; to vases of carved wooden flowers, and wooden poodles. Only the works from the "Marriage Made in Heaven", to Ilona Staller, "la Cicciolina" – now on the rocks – are missing.

Here then is the celebration of the kitsch and the banal, with its circular and self-serving justification that goes back to Dada, though the wit gets ever thinner – object, and you have missed the point: accept, and still you have missed the point. What does Koons have to say about it all? "I believe that taste is really unimportant: salesmen are today's great communicators: I believe artists must exploit themselves, and they must also take the responsibility to exploit their viewers: I am completely adaptable. In the art world I have always found everyone very weak. The art world really has been up for grabs." He at least is an open cynic.

Georg Baselitz: *Frau Paganismus*; until July 30: Jeff Koons: A Survey; until August 18. Both at the Anthony d'Offay galleries, Dering Street, W1.

Alastair Muir

Towering in command: Steven Page as a potent, saturnine Nick Shadow

Theatre/Martin Hoyle

Measure for Measure

The fortunes of Shakespeare's lesser-known plays cast a fascinating light on social attitudes. The modern age tunes in clearly to the wavelength of *Troilus and Cressida*, for example, with its bleak cynicism towards romantic love and bilious vision of ruling classes bickering over war as they would at croquet. Now comes a *Measure for Measure* which underlines our current obsession with the private weaknesses of public figures, homing in on the outward puritan who burns with inner lust.

Angelo's hypocrisy is less important than his abuse of power as ducal deputy to gratify his lust. Unlike today's British popular press, the Elizabethans distinguished between the domestic habits and the professional abilities of their rulers. They would not automatically agree that a bureaucrat is unfitted to negotiate defence contracts, say, because he wears panty-hose at home, when indeed the reverse might well be true.

Cheek by Jowl has toured its new version through such exotic localities as Tokyo, Rio, St Petersburg and Darlington. At the Lyric, Hammersmith, for a month, Declan Donnellan's updated production begins ominously. With Peter Lilley's hairline and John Gummer's devoutness, the sleekly-suited career politician Angelo portends heavy-handed satire. Will the well-meaning but out of touch Duke be played as Prince Charles? When he yells "Supply me with the habit!" is he demanding a monkish gown or a quick fix?

The production is not that crass. Over the years Cheek by Jowl has evolved a style that might be defined as the unthinking man's Jonathan Miller. This can result in freshness and vitality or the overegged pudding of a *Twelfth Night* when almost every line was reinterpreted, even working in an implied affair between a weepy Feste and a hunky Texan Aguecheek. The suspicion lingers that the company's main aim is to show A-level students that the classics can be cool.

The new *Measure for Measure* avoids such excesses. It skips through the low-life scenes with restraint (Mistress Overdone is modelled on a Dora Bryan chirpy tart, c.1950). It inspires some excellent acting. It oddly makes little of the central dilemma – should Isabella sleep with the man who can spare her brother's life? – and leaves a moral puzzle at the play's heart.

For Stephen Boxer's Duke, incognito among his subjects and foiling his deputy's tyranny in the nick of time, is seen as a melodramatically excitable and really rather silly protagonist of a silent-screen cliff-hanger. He is cut down to size as a meddler who toys with people's lives. The final scene of retribution, reconciliation and mercy finds the assembled company grim-faced with resentment. The Duke has played God and we live in a secular age. This is 20th-century editorialising; if you accept the Duke, not Angelo, as the (unwitting) villain of the piece, it paints a desolate picture of a society with no point of moral reference.

It also turns Lucio into a romantic hero. The "fantastic", a louche man-about-town, parasite and name-dropper, is brilliantly seen as a gossip-columnist figure. One of life's free lunchers, he blossoms in scabrous anecdotage about his alleged familiarity with the great. In Mark Bazeley's performance, a near-schizoid awareness gives glimpses of self-loathing.

In this climate of rottenness even the most blameless character is reduced to status of bawd: the jilted Mariana is a cackling drunk, though when allowed to Marianne Jean-Baptiste shows a moving dignity. Yet even in this corrupt Vienna, there are two performances that would fit magnificently into a traditional production.

Anastasia Hille's Isabella, long-eyed and with the wide mouth of a Greek tragic mask, begins as fluttery, uncertainly bossy as she pleads for her brother, meeting Angelo's pedantry with her own. Her eventual focus on rage, shock and grief is almost painful to watch. Adam Kotz lends Angelo tragic stature: the dry, bloodless inhumanity that can blaze helplessly into passion. Even in sexual blackmail, his bureaucratic logic remains: he rightly makes "Who will believe thee, Isabel?" the most chilling line in the play.

Opera/David Murray

'The Rake' renewed

David Hockney has done some repainting for Glyndebourne's celebrated production (from 1975) of *The Rake's Progress*, and in the new house his designs look more brilliant than ever: witty, imaginatively apt, visually sensational. John Cox has come back to direct it again, and with the odd bright new detail the whole conception rings true. This is an unforgettable staging.

Musically – well, it is *nearly* as good. Andrew Davis takes the London Philharmonic through Stravinsky's score with his usual lively intelligence, and due care for his singers. The darkest, sternest passages are a touch lightweight; the soft-edged attack that Davis cultivates so appealingly in Richard Strauss alternates here with nervy brittleness. I found myself wishing that he could swop places with Elgar Howarth at the Garsington Opera: Davis to lavish more unashamed tenderness upon Strauss's *Capriccio*, Howarth to emphasise the tough muscle in the *Rake*.

Tom Rakewell himself is sung by an interesting American tenor, Stephen O'Mara (his first time): a nice edge of hysteria, genuinely moving when ruined, but too much tight tone and too often unintelligible in the Auden/Kallman words. Promising, though; and so is Christiane Oelze's sweetly frail Anne Trulove, though she misses the brave resolve of her climactic Act I aria. It is left to Steven Page's potent, saturnine Nick Shadow – the Mephisto-figure – to wield the full weight of his character, and thus to dominate the evening.

On the new Glyndebourne stage David Hockney's designs look more brilliant than ever

It was only two years ago that this latecoming star essayed the role for Glyndebourne's young touring company; but Page should expect an international demand for his Nick in many future seasons. Besides the advantage of imposing height, he is a sharp and subtle actor, in towering command of his words *and* his music.

For Baba the Turk, the Rake's rash choice of a circus-wife, Jane Henschel's throaty comic delicacy matches her luxuriant beard, more plausible than any I've seen on a Baba. Cox has given her an affecting moment when she plucks out a hair of it – at some evidently painful cost – for one of her admirers.

On a cameo scale Robert Tear's ripe, preening auctioneer is perfect too, lending a vital theatrical charge to the post-prandial third act (specially important at Glyndebourne, as the audience is liable to drift off). Frode Olsen makes a fine, upstanding Trulove *père*, and Angela Hickey a cheery old trout as Mother Goose, the brothel-mistress. In the brothel scene and everywhere else, I missed more of the eager Glyndebourne chorus's words than expected.

As with O'Mara's Tom, however, I was unsure whether the fault lay with them or with the tricks of the acoustic. For *Figaro* three weeks ago I sat in the rear stalls, a bit higher, and heard almost every word; nearer the stage this time, I lost many more of them. That may be one of the uncontrollable accidents of the theatre, and in any case the losses were marginal compared to the persuasive certainties of the production.

Revival sponsored by British Airways; in repertory until August 14

Opera in concert/John Allison

Francesca da Rimini

Riccardo Zandonai's *Francesca da Rimini* may not be a first-rate opera, but it is one of the best pieces of its kind and the Chelsea Opera Group, which places us all in its debt with regular concert performances of neglected works, made a good case for it at the Queen Elizabeth Hall on Saturday.

Operas by Puccini's younger and lesser contemporaries have received a bad press here recently – Giordano's *Fedora* at Covent Garden got a decided critical unwelcome last month – but *Francesca*, a more deserving cause than any of Giordano's operas, does not seem to have had a chance to prove itself in England since it reached Covent Garden just five months after its Turin premiere in February 1914. *Francesca* has fared better elsewhere: it is done from time to time in Italy, the Metropolitan Opera revived it ten years ago, and it turns up next month at the Bregenz Festival.

D'Annunzio's late-Romantic elaboration of the story from Dante's *Inferno* gave Zandonai (who died 50 years ago this month) rich scope for atmospheric writing. *Francesca* is thickly scored – consistently colourful, seldom cloying – and the orchestra rose to it, despite some tentative playing in the "silent love duet". The chorus projected the battle music – irrelevant, but a spectacular diversion – effectively. Though the lush score substitutes melodramatic gesture for dramatic urgency, Nicholas Braithwaite conducted a lively, loving performance.

In the title role, Hannah Francis gave an expressive performance, using her creamy soprano to make the most of the character's surprisingly undramatic music. The three brothers in the plot were all clearly characterised: the tenor Richard Berkeley-Steele (ENO's recent Lohengrin) sang Paolo, the handsome brother with whom Francesca falls in love, with plenty of unforced tone; the brutal Gianciotto, who Francesca is tricked into marrying, was taken with vivid power by the bass Phillip Joll; and the unpleasant Malatestino, who out of jealousy alerts Gianciotto to the lovers, was sung with tenorial venom by Gareth Lloyd. Two soprano ladies-in-waiting, Jillian Foster as Garsenda and Helen Astrid as Biancofiore, stood out from the rest of the large cast for their lively performances.

INTERNATIONAL ARTS GUIDE

■ AMSTERDAM

Muziektheater Tonight: Dutch National Ballet in choreographies by Rudi van Dantzig, Toer van Schayk and Hans van Manen. Tomorrow, Fri: Riccardo Chailly conducts final performances of Lluis Pasqual's Netherlands Opera production of Falstaff, with cast headed by Bruno Pratico. Next Mon: Merce Cunningham Dance Company gives first of four performances of Ocean, based on an idea by Cunningham and John Cage (020-625 5455)
Beurs van Berlage Tonight: Lev Markiz conducts Nieuw Sinfonietta Amsterdam in arrangements by Henze and Adams, with mezzo soloist Jard van Nes (020-627 0466)
Concertgebouw Tomorrow: Marc Minkowski conducts Rotterdam Philharmonic Orchestra and Chorus in concert performance of Bruno Maderna's arrangement of Monteverdi's Orfeo, with cast including Judith Howarth, Kathleen Kuhlmann and Guy de Mey. Sun afternoon: Hans Vonk conducts Radio Philharmonic Orchestra in works by Zimmermann, Stravinsky, Lutoslawski and Skryabin. Next Mon: Reinbert de Leeuw conducts Radio Symphony Orchestra and Chorus in concert performance of Max Brand's opera Machinist Hopkins, with cast including Henk Smit and Suzanne Murphy (24-hour information service 020-675 4411 ticket reservations 020-671 8345)
Bellevue Thurs: first of seven performances of Peter Brook's The Man Who, based on the book by neurologist Oliver Sacks (070-320 2500)

■ ANTWERP

de Vlaamse Opera Tonight, Sat: Stefan Soltesz conducts Petrika Ionesco's production of Die Fledermaus, with cast headed by John Hurst and Cynthia Lawrence (03-233 6685)

■ BRUSSELS

Palais des Beaux Arts Tonight (Conservatoire): Jos van Immerseel conducts Anima Eterna in works by Matthew Locke, Bach and others. Tomorrow: Antonio Pappano conducts Orchestra and Chorus of the Monnaie in Mendelssohn's Elijah, with soloists including Keith Lewis and José van Dam. Fri: Günther Herbig conducts Hague Philharmonic Orchestra in Webern, Schoenberg and Mahler, with mezzo Catherine Robbin and tenor Stephen O'Mara (02-507 8200)
Monnaie Tonight, Thurs, Sun, next Wed: Antonio Pappano conducts Karl-Ernst and Ursel Herrmann's production of La traviata, with cast headed by Elzbieta Szmytka, Laurence Dale and Victor Ledbetter (02-218 1211)

■ CHICAGO

THEATRE
● Libra: Steppenwolf Theatre's most famous alumnus, John Malkovich, has returned to direct his own adaptation of Don Delillo's novel, a fictionalised account of the life of Lee Harvey Oswald. Final week (Steppenwolf 312-335 1650)
● Breaking the Code: Hugh Whitemore's 1986 play about loyalty, national expediency and homosexuality. In repertory with Anthony Clarvoe's The Living, a new play about the London plague of 1600 (Interplay 312-654 1055)
● A Little Night Music: Michael Maggio directs this Sondheim classic, hailed as the perfect romantic musical comedy. Just opened (Goodman 312-443 3800)
● Guys and Dolls: Jerry Zaks' award-winning revival of the timeless musical fable of Times Square gangsters, gamblers and good-time girls is now on a national tour, and runs in Chicago till July 3 (Shubert 312-902 1500)
RAVINIA FESTIVAL
Tonight's concert features Dionne Warwick, Burt Bacharach and the Ravinia Festival Orchestra. Tomorrow: five-woman group Zap Mama. Sun: Milton Nascimento. The Vermeer Quartet gives the first classical music concert of the season on Thurs, and the Chicago Symphony Orchestra begins its annual residency on Fri with the first of six concerts conducted by Christoph Eschenbach. His first programme is Bruckner's Te Deum and Beethoven's Choral Symphony. On Sat, Eschenbach is soloist in Beethoven's Second Piano Concerto. Next Mon: Claire Bloom and Anna Steiger present an evening of Shakespeare, with musical settings by Copland, Prokofiev and others. The festival runs till August 28. Ravinia is situated in Highland Park, within easy reach of downtown Chicago by train, bus or car. To order tickets by phone, call 312-ravinia. Outside the metropolitan Chicago area, call 1-800-433-8819. Tickets can be ordered by fax 24 hours a day: 708-433 4582.

■ GENEVA

Comédie Tonight, Sat and Sun: John Duxbury conducts Pierre-Alexandre Jauffret's production of Purcell's King Arthur (022-310 9193)
Grand Théâtre Fri, next Mon and Thurs: Christian Thielemann conducts Robert Carsen's production of Lohengrin, with cast headed by Thomas Moser, Hartmut Welker, Eva Johansson and Marilyn Zschau (022-311 2311)

■ THE HAGUE

Dr Anton Philipszaal Sat: Günther Herbig conducts Hague Philharmonic Orchestra in works by Webern, Schoenberg and Mahler (070-360 9810)

■ VIENNA

Staatsoper Tonight, Fri, next Tues: Riccardo Muti conducts Le nozze di Figaro, with Bryn Terfel as Figaro. Tomorrow, Sat: Les Contes d'Hoffmann with cast headed by Neil Shicoff. Thurs: Ulf Schirmer conducts Marco Arturo Marelli's new staging of Cardillac, with Franz Grundheber. Sun: Götterdämmerung with Gabriele Schnaut, Siegfried Jerusalem and Matti Salminen. Next Mon and Thurs: Tosca with Raina Kabaivanska, Luciano Pavarotti and Sherill Milnes (51444 2955)
Konzerthaus Tonight: Friedrich Gulda is director and piano soloist with Vienna Symphony Orchestra (712 1211)
Musikverein Tomorrow: Yevgeny Kissin piano recital. Sun morning, next Mon evening: Rudolf Buchbinder is director and piano soloist with Vienna Symphony Orchestra in works by Haydn, Schumann and Beethoven (505 8190)

■ WASHINGTON

● Jazz trumpeter Wynton Marsalis and vocalist Nancy Wilson join forces tomorrow at Wolf Trap. The programme on Sat and Sun is a jazz and blues festival, with guest artists including Milton Nascimento, Dave Holland Quartet, Jimmy Scott and many others (703-255 1860)
● Christopher Hogwood conducts National Symphony Orchestra in a Mozart Festival on Fri, Sat and Sun at Kennedy Center Concert Hall. Soloists include pianist Robert Levin and tenor Curtis Rayam (202-467 4600)
● David Lockington conducts Baltimore Symphony Orchestra in outdoor concerts on Fri, Sat and Sun at Oregon Ridge. Fri: popular classics. Sat: big band, blues and Bernstein. Sun: Copland, Bernstein and Beethoven (410-783 8000)
● Max Roach Double Quartet presents spirituals, ragtime and modern jazz on Sat at Columbia Festival of the Arts (410-715 3055)
● The main summer show at the Kennedy Center is Miss Saigon, the musical love story set during the Vietnam War. Daily except Mon (202-467 4600)
● Shenandoah Shakespeare Express performs Much Ado About Nothing, Othello and The Taming of the Shrew in repertory at Folger Shakespeare Library. Opens tonight, till July 3 (202-544 7077)
● The Trip to Bountiful, Horton Foote's play about an elderly woman's search for peace in the midst of family struggle, runs till July 3 at Olney Theater (301-924 3400)

■ ZURICH

Opernhaus Tomorrow, Sat: Un ballo in maschera with Vincenzo La Scola, Giorgio Zancanaro and Mara Zampieri. Thurs, Fri: Mozart ballet production, choreography by Bernd Bienert. Sun: Franz Welser-Möst conducts first night of Erwin Piplits' new production of Rusalka. The season runs till July 3 (01-262 0909)
Tonhalle Thurs: Vogler Quartet plays string quartets by Kurtag, Haydn and Brahms. Sun: Edmond de Stoutz conducts Zurich Chamber Orchestra in a Bach programme (01-261 1600)
Schauspielhaus Tonight, tomorrow, Sat: Dürrenmatt's The Visit. Thurs, next Mon: new production of Pirandello's Man, Beast and Virtue, directed by David Mouchtar-Samorai. Fri, Sun: David Mamet's Oleanna. There is also a studio production of John Osborne's Look Back in Anger. The season runs till July 8 (01-221 2283)

ARTS GUIDE

Monday: Berlin, New York and Paris.
Tuesday: Austria, Belgium, Netherlands, Switzerland, Chicago, Washington.
Wednesday: France, Germany, Scandinavia.
Thursday: Italy, Spain, Athens, London, Prague.
Friday: Exhibitions Guide.

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Euronews: FT Reports 0745, 1315, 1545, 1815, 2345

WEDNESDAY
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NBC/Super Channel: FT Reports 1230
Sky News: FT Reports 0230, 2030

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NBC/Super Channel: FT Reports 2230
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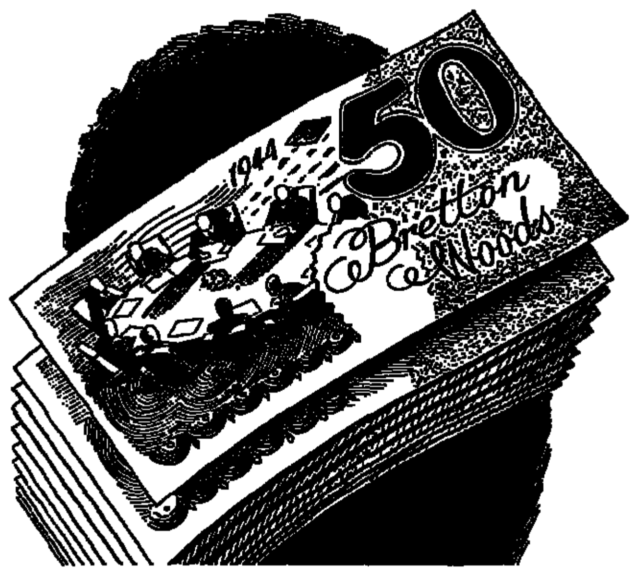
BRETTON WOODS YEARS

Recapturing a lost spirit

Ronald McKinnon in the first in a series on the 50th anniversary of Bretton Woods



Half a century after its signing in New Hampshire in 1944, the Bretton Woods Agreement on currency convertibility and exchange rate stability holds its mystical allure.

In the industrial countries today – with resurgent protectionism, recurrent over- or under-valued exchange rates, high unemployment, and slow growth – people talk wistfully of recapturing the spirit of Bretton Woods. It seems a noble quest. But is the 1944 agreement the right starting point for international monetary reform today?

After 1945, currencies in western Europe and Japan remained inconvertible and in inflationary disarray. Trade remained bartered, narrowly bilateral, and so limited that output in Europe and Japan stayed unnaturally depressed well into 1948. Furthermore, either because its mandate was incorrectly drawn or its financial resources were too slender, the International Monetary Fund did nothing to relieve this currency impasse and the post-war economic crisis.

The great rescue operation was engineered not by the IMF but by the Marshall Plan, from mid-1948 through early 1952, in Europe, and by the 1949 Dodge Plan in Japan. By 1951, the virtual elimination of inflation in western Europe and Japan was followed by 20 years of stable (some would say unduly rigid) exchange rates based on the US dollar – whose purchasing power over tradeable goods also remained constant until about 1968. What can be called the "Marshall-Dodge fixed-rate dollar standard" led a healthy life until 1971, when President Nixon insisted that the dollar be devalued, to avoid disinflating the American economy.

Both the Marshall and Dodge plans depended on direct dollar assistance from the US. But surprisingly strong conditions – the elimination of fiscal deficits and inflation, and the step-by-step elimination of currency restrictions on current trade – were attached. In Europe, the capstone was the European Payments Union (EPU), established in September 1950 for securing full multilateral clearing among central banks of 16 western European countries.

To ensure credibility, the US dollar was enthroned both as the unit of account and means of settlement within the EPU. European governments declared exact dollar parities, to facilitate clearing international payments and secure a "nominal anchor" for their war-ravaged financial systems. Similarly, Japan fixed the yen at 360 per dollar, as anchor for its successful disinflation in 1949-50. To maintain their dollar parities, European countries and Japan subordinated their domestic monetary policy to their fixed exchange rates.

In what ways did the 1950-1970 Marshall-Dodge standard differ from the spirit of Bretton Woods? Marshall-Dodge imposed a common monetary standard on the industrial countries at the outset of the policy of fixing exchange rates. Participating industrial countries experienced roughly the same low rate of price inflation in tradeable goods – about 1 per cent per year – as the US.

Why deny that the negotiators at Bretton Woods in 1944 wanted a stable common monetary standard, or at least wished for something similar to Marshall-Dodge? Keynes, who dominated the thinking of the conferees, drew up the Bretton Woods articles to give each national government flexibility in choosing its own macroeconomic policy, to secure full employment.

Remembering the failure of the international gold standard in the inter-war period, Keynes did not want to establish any common monetary standard. Nor, because of his concern with "hot" money flows in the 1920s and 1930s, did he want an unrestricted world capital market. He and his intellectual heirs subscribe to the principle of national macroeconomic autonomy. After the war, both Keynesians and monetarists rejected the idea that monetary autonomy be limited by international obligations.

However, the Bretton Woods negotiators did want to restore normalcy in foreign trade on current account. Continual exchange rate fluctuations, and prolonged misalignments that upset a country's macroeconomic equilibrium, were to be avoided. A new par-value system restricted short-run exchange rate fluctuations within 1 per cent on either side of "parity". Exchange parities would be easy to enforce as long as capital controls remained in place. With economies insulated from each other on capital account, the main criterion for the IMF to agree exchange depreciation would be whether a country had an ongoing net trade deficit.

Thus did the negotiators of 1944 imagine they had reconciled the principle of national macroeconomic autonomy with limitations upon exchange risk in international trade.

With hindsight (and Milton Friedman), we now know inflationary national monetary policies cannot sustain higher levels of employment. But that was not the prevailing view at Bretton Woods in 1944. Despite its great success in practice, the "accidental" advent of the Marshall-Dodge standard was a conceptual anathema to most professional economists in the 1950s and 1960s – with echoes to the present day.

How does this potted history matter for reforming today's international monetary system?

First, because international capital markets are now fully open, a trade deficit no longer warrants an exchange depreciation – which the old spirit of Bretton Woods encouraged. For example, the ongoing US current-account deficit has encouraged the American government to cajole the Japanese into two serious episodes of yen overvaluation – in 1986-87 and again in 1993-94. In both cases, a slump in private investment, because of the exchange overvaluation, caused a sharp downturn in the Japanese economy with no reduction in its current account surplus.

Second, as with the Marshall-Dodge standard, securing more stable exchange and interest rates must proceed simultaneously with the international harmonisation of national monetary policies. The keystone must be a low or zero rate of inflation in a broad basket of tradeable goods.

A second-best technique for providing a common nominal anchor is to turn the job over to a single dominant country whose own internal price level has been relatively stable. In some unusual historical circumstances, this may work well for a while. Yet any such asymmetrical standard remains vulnerable to upheavals in the centre country. Far better to negotiate a fully symmetrical agreement among hard-currency countries – like Japan and the US in the 1990s – for anchoring the price level of the group in a manner consistent with keeping nominal exchange rates stable into the indefinite future.

The author is William Eberle Professor of International Economics at Stanford University

Joe Rogaly

Ghosts of Labour past

The world has turned. The British Labour party, founded by the trade unions, is no longer wholly their creature. This is about to be demonstrated, perhaps conclusively, during the leadership election. It is a historic change. Some of us have long believed that Labour would not form another government until it made itself as institutionally separate from the unions as the American AFL-CIO is of the Democratic party. In Britain we are nowhere near that happy state, but the management of the party by powerful trade union leaders has become so diminished as to be a mere irritant.

It did not seem like that in 1992, when the late Mr John Smith was elected leader with heavy and visible union support. Progress was made at last year's conference, when one-member-one-vote was adopted for the selection of parliamentary candidates, but it looked then as if the price Mr Smith paid – a speech appearing to offer the unions favourable legislation by a future Labour government – was too high. Now it can be seen that the most celebrated decision of that conference was worth the effort expended in engineering it. For the new method of voting for a leader, Mr Smith's successor, is closer to genuinely democratic than anything in the party's history.

The electoral college is divided into three: Labour representatives in the Westminster parliament and the European assembly; constituency Labour party members; and trade unionists who are also Labour supporters. Most, but not all of the 3.75m or so individuals entitled to vote in the union section may make their decisions without benefit of guidance or pressure from union leaders. Of Britain's big five unions only the T&G – the Transport and General Workers – has recommended a candidate, Mrs Margaret Beckett. Yet all five will send Labour's standard ballot forms to members' homes. These will be accompanied by a leaflet produced by Labour party HQ, with each candidate allowed a photograph and short election address. The last page will invite recipients to join the party as direct members.

With fond memories of my long service in direct mail, that sounds convincing to me. Yet if Labour is turning postal-democratic, it is the Tories who must take some of the credit. Two companies, the Electoral Reform Society's ballotting subsidiary and Unity Security Ballotting Services, will scrutinise, and count the returns. They have had much practice as a result of Conservative legislation obliging unions to consult their members every other afternoon.

The new method of voting for Mr Smith's successor is closer to genuinely democratic than anything in the party's history.

Nothing is perfect. The T & G will stuff its envelopes with a statement urging recipients to vote for Mrs Beckett. It may regret that. When its general secretary, Mr Bill Morris, was elected there was a 24 per cent return. Perhaps with all the publicity there may be 30 per cent this time. That suggests that only the most politically aware in the T & G will participate. There is no telling how much those who do bother to mark their ballots and send them in the reply-paid envelopes will be swayed by their union's leaflet as against all the other influences on their thinking, but there has to be some bias in favour of Mrs Beckett. There had better be a bit, or Mr Morris and his executive will be seen to be as politically impotent as in truth they have become.

The big five will account for something like three-quarters of the vote. Some of the smaller unions have stated a preference for Mr John Prescott. One is the railway union, the RMT, to which Mr Prescott offered strong support yesterday. It will conduct a full postal ballot of 80,000 of its members. Another, the GPMU printers' union, will hold workplace ballots for 97,000 political levy-paying members. Naturally it expects a higher turnout, perhaps 75 per cent. We can be sure that these voters will be influenced by the union officials who distribute and collect the papers, and may even watch while the choice is made.

Such wrinkles aside, the national primary that is now being conducted should produce a result that reflects the views of Labour supporters, or at least those interested enough to vote. Some expect that proportion to reach 40 per cent, on the grounds that the winner may well be the next prime minister. Whatever the figure, the process will set union influence where it belongs, on the margin of party affairs. Sooner or later the union block vote at party conferences, already diluted, will be swept away, thus concluding the divorce between party and "movement". Everyone should now be able to see that coming.

What a pity, then, that none of the three leadership candidates – not even Mr Tony Blair – has yet had the courage to say directly and in trenchant terms that the RMT does no service by bringing its members out on strike. In 1964, when an unofficial stoppage shut down London's underground railway during election week the then Mr Harold Wilson described it as "intolerable", and went on to win with the greatest swing to Labour since 1945. In the current, official, dispute the RMT has done everything by the book. The management has played the government's hand badly. There is some sympathy for the railway workers. That is still no reason for Labour's putative leaders to be mealy-mouthed about an action that causes great inconvenience to many people.

Such fearfulness of the spirit of union power past is Old Labour talking. It still burbles. When the BBC went on strike on the night of the Euro-elections the party ruled that none of its leaders should cross picket lines. That was plainly absurd. Over the weekend Mrs Beckett contrived to show that she was more sympathetic to secondary picketing, that scourge of the 1970s, than either of the other two candidates. Mr Prescott neatly stepped aside from that one, but he was not so robust as Mr Blair, who has made it clear that his programme for labour legislation would not start with a clear-out of the Thatcherite union laws.

The ideal Labour leader would replace the habit of supporting all official strikes with a less predictable approach. Yet Mrs Beckett and Mr Prescott evidently believe that they need the unions' approval. That may be why Mr Blair, the likely winner as leader, and the most robust on unions, has declined to state a preference for deputy. He must find it difficult to choose between a millstone and an albatross.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL
Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

No evidence of need for London council

From Dr Graham M Lomas.

Sir, Would international business be more likely to come to London, and that already here stay, if the capital had an elected council for the whole of the built-up area grounded in the English system of local government? The study *London Factor* ("London's image at risk, says report", June 16) argues precisely that. The report says financial service companies feel London is drifting aimlessly in the absence of such a council, and is destined to lose out to other cities. I framed and did the interviewing for the study, but feel obliged to dissociate myself from this interpretation.

Businesses with a high clerical component reduce operations in London because costs and managerial complexities are too great – things a London-wide council would not mitigate. Foreign banks that leave do so because London is over-banked. International companies remaining have seen London become more important recently to global business strategies revised in the wake of the worldwide recession; but costs and potential returns will loom ever larger in future in their locational decisions and may lead some to move business away. A London-wide council would have little impact on either factor. Those interviewed felt London's standing specifically *vis-a-vis* Europe would on the whole not be significantly reduced by financial centres and a central bank developing on the mainland – though again, some work would inevitably move that became more suited to a European location.

Problems mentioned by businesses interviewed – manpower, training, transport, regulations – could be noticeably reduced through higher quality decision-making and administration in existing local, central, and institutional governments. None raised would appear to be better addressed through a new local authority for Greater London.

It is important – unquestionably – to sustain London's image and its unique status among world metropolises. Special, and highly flexible, arrangements have to be found to bring real strategic thinking regularly to bear on big issues. Systems of city-wide government elsewhere, and continual failure in London's past to orchestrate land-use planning successfully as between housing transport and jobs, show us what to avoid, not what to repeat. A London-wide local authority has been superimposed on the *London Factor* study. I fear it does not emerge from the evidence.

Graham M Lomas,
49 Smithamdowns Road,
Purley, Surrey CR8 4NJ

Vodafone valuation

From Mr Patrick Earle.

Sir, Re Lex's comment on the relative valuation of Cellnet and Vodafone (Securicor, June 13). The valuation would be more comparable if it took account of two important factors. First, the differing levels of debt in the companies; Vodafone has more than £100m of net cash while Cellnet has several hundred million pounds of capitalised finance leases.

Second, unlike Cellnet, Vodafone has substantial international investments which could be worth £1bn. If these factors are taken into account Cellnet wuld be valued at 65 per cent of Vodafone's UK operations, rather than 45 per cent contained in Lex. The higher percentage seems a more reasonable level; as Lex pointed out, Vodafone has double Cellnet's cash flow and operating profit.

Patrick Earle,
vice president,
J P Morgan Securities,
60 Victoria Embankment,
London EC4Y 0JP

Concorde, but not Cleveland fallacy

From Mr Bruce Stevenson.

Sir, Once again your Leader writer devalues a well-argued examination of the failings of the Local Government Review ("Councils and the Concorde fallacy", June 14) with the repetition of the myth that there is case for abolishing a conurbation-wide authority in the Teesside area because Cleveland County is "unpopular".

● Fact: Results of Mori opinion polls for the Local Government Commission show the level of community identity with Cleveland is above average, higher, for example than Lincolnshire, Dorset, Wiltshire and Gloucestershire – and twice the level of Avon with which you seek to bracket us.

● Fact: When Harris Opinion Research surveyed local people on behalf of the Institute for Local Government Studies it found satisfaction levels with Cleveland County services among the highest recorded for any local authority in recent years.

● Fact: Cleveland County Council has not argued for its own survival, but for the recreation of a Teesside-wide authority, with a separate authority for Hartlepool. The Mori survey figures show that the identity level of Teessiders with a Teesside-wide authority is one of the highest recorded anywhere in the country.

You are quite right to compare this ill-fated Review with the "Concorde fallacy". But please – stop repeating the "Cleveland Fallacy."

Bruce Stevenson,
chief executive and treasurer,
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Cleveland TS1 2QH

IT will end generations of exclusion for deaf

From Stuart Etherington

Sir, Your excellent supplement on Telecommunications in Business (June 15) omits to mention one group of citizens who have more than most to benefit from the information technology revolution.

Britain's 7.5m deaf and hard of hearing people stand to profit from a great break through in communications, especially as video-phone technology becomes common-place in the home and office. For deaf people – whose first language is British sign language – video phones allow independent access to the telephone network for the first time, as current trials at the RNID are proving.

The IT revolution, which is changing all of our lives, will end generations of exclusion and second-class status for deaf people in Britain.

Stuart Etherington,
Chief Executive,
Royal National Institute for Deaf People,
105 Gower Street,
London WC1E 6AH

No conflict in investigating accountants becoming receivers

From Mr Derrick S Woolf.

Sir, I refer to Andrew Jack's article, "Debate Reopens on Accountants' Insolvency Role" (June 16) which refers to Mr John Jackson's letter published the same day. Mr Jackson "launched an attack on the process by which investigating accountants appointed by banks are permitted to take on the receivership of the business they examine".

I am a partner in Levy Gee, chartered accountants. We carry out a significant number of viability reports on behalf of a good cross-section of lending bankers. Each assignment commences with an agreed letter of engagement which makes clear that our duty of care is owed to the lending banker and not to their customer. A recent legal judgment stated that it is not possible to owe a duty of care to more than one party.

A bank will not appoint a receiver if there is a viable alternative and any insolvency practitioner who recommends this course, simply to improve his fees, will soon see his work flow dry up.

Lending banks are reluctant to lose customers. What is rarely emphasised by banks and accountants is the substantial amount of diligent work each does in rescuing companies and businesses. About half of the cases we handle do result in a receivership appointment. Therefore, the other half do not, and I hope benefit from our involvement promoting a better communication and understanding between banker and customer.

Costs and efficiency is an important factor. Where receivership is unavoidable, it is clearly cheaper and more efficient to have the same firm conduct the viability assignment and the receivership. They will be familiar with the company's situation and be able to "hit the ground running". A fresh receiver would have to waste valuable time bringing itself up to speed with the situation which could lead to higher costs and a slower result.

We do not agree with Mr Jackson that there may be some dangerous conflicts of interest where he perceives that a reporting accountant can exercise considerable economic power. Consider the case of the surgeon or barrister. If they recommend surgery or proceedings to trial is it envisaged that they would have to say "sorry, please go to another surgeon/barrister as I have a perceived economic power in pursuing your case and therefore you need to go to somebody else to take the matter further".

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FINANCIAL TIMES
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Tuesday June 21 1994

The left in disarray

The French Socialists' decision to ditch Michel Rocard is hardly surprising, after their miserable score in the European election. But it would be sad if this marked the end of Mr Rocard's political career. For 20 years he has been the leading spokesman within the party for the arguments of reason, of economic as well as political liberalism, and indeed of reality. He has been handicapped throughout by President Mitterrand's ill-concealed, and on the whole ill deserved, resentment.

In pure politics Mr Rocard was never Mr Mitterrand's equal, and the fact that he has failed to revive his party's fortunes after its landslide defeat in last year's parliamentary elections can hardly be denied. It seems that Mr Jacques Delors may have a better chance of success. But it is also clear that the crisis of French socialism, indeed of socialism Europe-wide or even worldwide, goes well beyond questions of personality.

The existence of such a crisis is only loosely connected to the fall of communism in eastern Europe. It was already visible well before 1989. The central doctrine of socialism, namely collective ownership, had been seen to be inefficient. More modest goals – the levelling of economic differentials, the welfare state, the right of workers to organise and defend their interests collectively within the workplace – had long since been accepted in principle by most European conservatives. The latter challenged them only at the point where they they became difficult to defend: where redistributive taxation put too great a burden on the taxpayer, where deficit-financed public spending threatened national bankruptcy and hyperinflation, or where trade union power became a serious obstacle to economic growth.

In Britain and Germany, during the 1980s and early 1990s, socialists have failed repeatedly in their attempts to regain power, and have been driven to accept more and more of their opponents' policies. In France and Spain socialist parties were able to remain in power through most of this period, but only because voters trusted them to blunt the sharper edges of a policy shift towards economic freedom, which the socialists themselves acknowledged as necessary and were prepared to carry out. But in the recession of the early 1990s they found themselves unable to deliver on that promise, and are now paying the electoral price. Fairness might seem to require that British and German socialists should now be given a chance. But, on last week's showing, German voters may not be ready to take that risk come October; while British voters will not have the opportunity to do so for at least another two years.

The European left may find encouragement in the efforts of President Bill Clinton to elaborate a new agenda on such issues as healthcare and welfare. But that has to be tempered by awareness that espousing policies similar to those of Mr Clinton would involve a shift to the right far greater than most European social democrat parties are prepared to contemplate. In much of western Europe, the left has ceased to exist as a clear alternative to conservatism or neo-liberalism. That may be a good thing in as much as the old left's economic policies were misguided and ruinous. But in as much as democracy is supposed to be about choice it is rather troubling. Disgruntled voters may be tempted, as in Italy, to plump for the unknown.

Agency dangers

The creation of executive agencies has been one of the successes of the Conservative reforms of the civil service. More than 60 per cent of civil servants now work in more than 80 agencies, providing services such as the payment of social security benefits, the management of prisons and the testing of heavy goods vehicles. By allowing managers to focus on the delivery of a particular service, the agency approach has improved the efficiency and effectiveness of government services.

The success of agencies has also encouraged managers to adopt a more entrepreneurial approach to the businesses they manage, seeking ways of developing and expanding them. In some cases, the result has been to squeeze the agency's assets – for example, by encouraging more foreign tourists to visit historic royal palaces. In others, new business has come from "value-added" services at premium prices, such as testing heavy goods vehicles on operators' premises to improve fleet utilisation.

There are dangers, however, in this new entrepreneurialism if it brings agencies into competition with the private sector. This is what appears to be happening at HMSO, the agency that publishes government legislation such as acts of parliament, statutory instruments and codes of practice. Legal publishers have complained that HMSO is using its power to license the reproduction of crown copyright texts to freeze them out of the market.

For example, HMSO will no longer license the reproduction of some legislative source materials that are available under its own imprint. And it is demanding royalties at full commercial rates for electronic publishing, while itself entering the business through joint ventures. The publishers say that the more restrictive approach dates from the conversion of HMSO to an agency in 1988.

In any other line of business, such behaviour would soon fall foul of the competition regulators. Yet as part of government, agencies are not covered by the legislation on restrictive practices. While the Office of Fair Trading would investigate a complaint, there is no legal remedy it could take to stop anti-competitive behaviour against a crown organisation such as an agency.

HMSO's new approach to licensing crown copyright materials indicates that stronger supervision is needed to stop agencies using their privileged position to damage potential competitors. If government bodies are encouraged to trade and compete for business, they should be subject to the same regulatory regime as the private sector. And if agencies are in a position to compete with the private sector, they should be at the top of the list for early privatisation.

Competitiveness

Much as the US and Europe worry about their ability to compete, they lead the world in the business of studying competitiveness. Indeed, the issue has been so extensively analysed recently that there might seem little left to say. To its credit, yesterday's report on the subject by Unice, the European employers' federation, manages usefully to advance the frontiers of the debate.

As well as making predictable calls for more flexible labour markets, lower social costs and action to help small business, Unice embraces a more radical idea. It is that the governments to which the report is addressed are mainly responsible for the problems they are being called on to solve. The only way out, it suggests, is to reduce permanently their traditional roles, particularly in respect of public expenditure.

Unice's argument is not just that public spending is becoming increasingly difficult to finance, but that much of it retards, rather than enhances, productive economic enterprise. It urges more ambitious privatisation and rigorous appraisal of future government investment, to ensure that it contributes to economic welfare and does not squander resources on activities which could be performed more efficiently by a competitive private sector.

Such notions, though dear to British ministers, are far less widely shared elsewhere in Europe. Among many continental governments, EU policymakers and left-of-centre politicians generally, there remains a strong conviction that increases in public expenditure are self-evidently a good thing, while cuts are almost always economically and socially regressive.

They would do well to read the World Bank's latest World Development Report, published this week. It mounts a devastating case against governments' record as investors, citing widespread evidence of waste and economic distortion, particularly in infrastructure projects. True, Europe's performance has been superior to that of most developing countries. However, that makes no less valid the Bank's central argument that public investment focuses too much on increasing the stock of infrastructure for its own sake, and far too little on the quality of services delivered. The unambiguous message is that if the investment is to serve productive ends, the state must make way for market forces.

That conclusion will not be easy to sell politically in Europe, nor to implement. Unice's report, at least, offers a starting point. It also provides timely support to Mr Günter Rexrodt, Germany's economics minister, who says he wants to use his government's EU presidency in the second half of this year to lead a crusade in favour of deregulation.

Is EU structural aid a black hole of funding from Brussels, or an effective way of raising incomes, asks **David Gardner**

Poverty trap with an exit

In the centre of Syntagma, or Constitution Square, in Athens there is a big black hole, emitting a 24-hour whine. It might work as a symbol for those among Greece's European Union partners who regard its economy as a hopeless case and its government's policy as little more than sustained pleading to maximise revenue from the EU budget.

But the hole is, in fact, a main locus of the EU's most ambitious regional and structural aid plan, agreed at the 1992 Edinburgh summit. Overall, this plan has funds of Ecu156bn (£120.12bn) for 1994-99, more than double the Ecu64bn spent on regional policy in 1989-93. Its admirers claim this is, in real terms, more than twice the US-financed Marshall Plan which helped reconstruct post-war Europe.

Syntagma itself is the hub of what will be the Athens metro – two 17.6km lines from north-to-south and east-to-west, to help turn the traffic-clogged and polluted Greek capital into a modern city. The permanent whine comes from the ventilator in the tunnels, which are progressing slowly towards the metro's completion in 1998, about a year behind schedule.

It is the largest European Union structural aid project and, with the completion of the Channel Tunnel, one of the biggest public works projects currently under way in Europe. The two lines are expected to cost Ecu2.4bn, and if additional branches are added later, another Ecu2bn will be needed.

The EU provides 50 per cent of the finance as a grant, a further 40 per cent comes through long-term loans from the European Investment Bank (EIB), and the Greek government puts up the 10 per cent remnant.

It is the grandest example of what the EU calls "cohesion", transferring money through the Union budget from the rich heartland of Europe to the poor or run-down regions and the periphery, in an attempt to pull up their income to average EU levels and make them attractive to investors.

At the Corfu summit of EU leaders on Friday and Saturday, hosted by the current Greek presidency of the Union, there will be a good deal of grumbling from the main net contributors to the EU budget – Germany, the UK, France and the Netherlands – about whether the redoubling of the "cohesion" effort is worth it.

The German finance minister Mr Theo Waigel has warned several times this year that Bonn, by far the EU's main paymaster, feels hard done by. In March, the UK foreign secretary Mr Douglas Hurd told a Brussels audience that some BFr300m a day went to Greece as part of "very large flows" of EU resources, "but there are too many reports of that money being wasted".

But is it? What is the quality of this spending, and does it, as intended, pull up the average per capita income of the poorer countries and regions?

The only completely comparable figures for regional and national development within the 12 measure per capita income growth, against an EU average of 100, between 1980 and 1991 – too early to register the full impact of the 1989-93 cohesion effort.

Of the four poorest, or "cohesion" countries, Spain saw average earnings per head rise from 71 to 80 per cent of the EU average; Ireland rose from 60 to 72 per cent; Portugal from 53 to 60 per cent; while Greece slipped back from 52 to 49 per cent.

Such bald figures do not provide the answer, however. They incorporate Germany's eastern Länder for the first time, thereby raising everybody else's average. They mask regional slumps from the Lorraine to the Portuguese Alentejo. Most of all, there are no reliable figures which disaggregate how much of this growth might have occurred anyway.

In Brussels, and in the governments in Spain, Portugal, Greece and Ireland, there is general assent that these countries have been able to modernise, particularly their road and railway infrastructure, much faster as a result of EU help.

An examination of EU structural and regional spending in the poorer member states, particularly Greece and Spain, suggests some preliminary conclusions.

- The quality of Brussels spending, on projects and programmes, is generally high;
- The volume of spending, the Brussels revenue collection system, and the legal requirement that national and regional governments "match" EU finance with their own funds in varying proportions, puts additional pressure on the budget deficits, not only of donor, but of recipient, countries;
- A great deal of EU cohesion money flows back to donor countries, whose construction and engineering companies are best-placed to carry out funded projects.

The EU aid is run from Brussels with parsimony and detail by the regional policy commissioner Mr Bruce Millan, the former UK Labour government's Scottish secretary. His DG16 directorate of about 240 is headed by a Spanish Basque, Mr Eneko Landaburu, one of the Commission's most highly regarded director-generals. These two have often been ruthless in witholding or transferring money from projects they regard as dubious or lacking rigour.

One senior DG16 official says, in reference to southern Italy: "My impression is that much of this money went to the Mafia", referring to the average Ecu13bn a year flowing to the Mezzogiorno in 1989-93, only 14 per cent of which, however, came from the EU.

Brussels has withheld nearly Ecu3bn from southern Italy, apportioning some of it to projects elsewhere in the country that can be monitored regularly. Partly as a result, Rome now requires regions seeking national funding to comply with EU criteria on regional aid. Using outside auditors, DG16 says: "We can generally ensure the big projects are clean." The Commission's anti-fraud unit is, however, currently investigating a hydro-electric project in Lazio where there is a dam but no water.

In Greece in 1989-93, Brussels withheld the bulk of finance earmarked for large projects, regarding them as inadequately thought through and badly managed. Scarcely 80km of motorway was built, for instance, because Brussels objected to the Greek practice of parcelling out small stretches to different companies, which regularly underbid to secure the contracts, and thereby often failed to complete the link with other stretches.

There is little doubt contractors from donor countries get big shares of the business generated

The money was instead spread around smaller regional programmes, reducing internal income disparities, but not boosting Greece's economy relative to its partners.

But a sea-change in Greek government attitudes in 1991 – which the current Socialist administration appears to endorse – has meant that a good deal of the 1994-99 money, worth about Ecu19bn to Greece, will go to projects such as the Athens metro and an Ecu2.5bn 550km gas pipeline being built from the Bulgarian border to Athens.

The metro is the showcase for the change. Commission pressure for strengthened management brought in Bechtel, the US civil engineer, to set up the Attika Metro company, overseen by a six-strong board of Greek business figures. Bechtel has a contract for Ecu16.9m to manage the project. A 25-company consortium known as Olympic Metro, led by Siemens of Germany and Interinfra of France, is doing the building.

Squabbling within the consortium, and recurring rich archaeological finds, are the main source of hold-ups, which the Bechtel team dismiss as insignificant in comparison to, say, the Channel Tunnel, or metros they have been involved in building from the US to Taipei.

Mr Bill Stead, the Bechtel man put in as chief executive officer of Attika Metro, says: "I've never received less public pressure, or as close to zero as you can get."

Lack of a similar integrated management structure has helped to hold up the half-built Greek gas pipeline, where the project manager, PLE, a subsidiary of Ruhr Gas, has been "bolted on" to more dispersed contractors, rather than integrated on the Attika Metro model.

Moreover, having contracted with Russia for the gas, Athens, in the Brussels view, has yet to decide fully what it will be used for. The Commission believes the project needs a low pressure network for domestic gas users to be viable, and is proceeding cautiously with fund disbursement. "This could be the first [EU-funded] cathedral in the desert" if it does not get such a network, one senior Brussels official warns.

While successful projects leave something of lasting value, there is little doubt contractors from donor countries get big shares of the business generated.

On the Athens metro, non-Greek companies supply everything from the tunnel boring machines (designed by Mitsubishi and assembled by Framatome of France), to the rolling stock (Siemens, AEG and GEC/Alsthom), and the signals and communications systems (Siemens and Alsthom). The factory which makes concrete segments for the tunnels was assembled in France. Inside it, only the labour and the cranes are Greek. One senior Attika insider says German contractors supply even the wire mesh for the concrete segments, first "setting the specifications to ensure the Greeks can't compete fairly".

The imported content of the total project is estimated by Attika to be 75 per cent. "I would say that most of the D-marks go back," one senior officer says. A Commission study shows that four out of every 10 Ecus for Portugal – which gets roughly the Ecu19bn Greece gets – flows back to donor member states.

The EU flows strengthen recipient countries' capital accounts, but worsen their trade accounts and fiscal position because governments have to put up public money to qualify for the EU finance.

In Spain, the biggest nominal recipient of about Ecu36bn in 1994-99, a senior Treasury official says that "the synergy" of the cohesion idea, "once translated into Spanish, means that we buy from Siemens".

Apart from the import content of the high-speed train (AVE) from Madrid to Seville, this is an exaggeration; Spanish construction companies are not only competitive at home, but currently involved in building the Toulouse metro. Spain's particular gripe is different.

As column four of the table shows, the poor countries make above-average gross contributions to the EU budget, which is raised more from VAT receipts than on the basis of relative prosperity. Even though they are net winners after EU spending is distributed, gross outlays are made by the central government and much of the EU inflow returns to local authorities, leaving a hole in the central budget. "This is a diabolical mechanism for our budget deficit," the Madrid treasury official says, and obliges governments to keep public spending high.

So far the EU has provided only about 10 per cent of Spanish infrastructure spending, rising to 15 per cent in 1994-99, but this official fears the EU flow could still induce spending on unnecessary projects.

EU rules channel most funds towards the poorest areas, to try to iron out regional imbalances rather than reinforce relative comparative advantage in more developed areas such as Madrid, Valencia, Catalonia and the Basque Country.

The Pta600bn Madrid-Seville AVE link – to which the EU contributed more than Ecu400m – fits in with this policy, even though starting with a link from the French frontier to Madrid, which Spain will largely have to fund itself, would appear more logical.

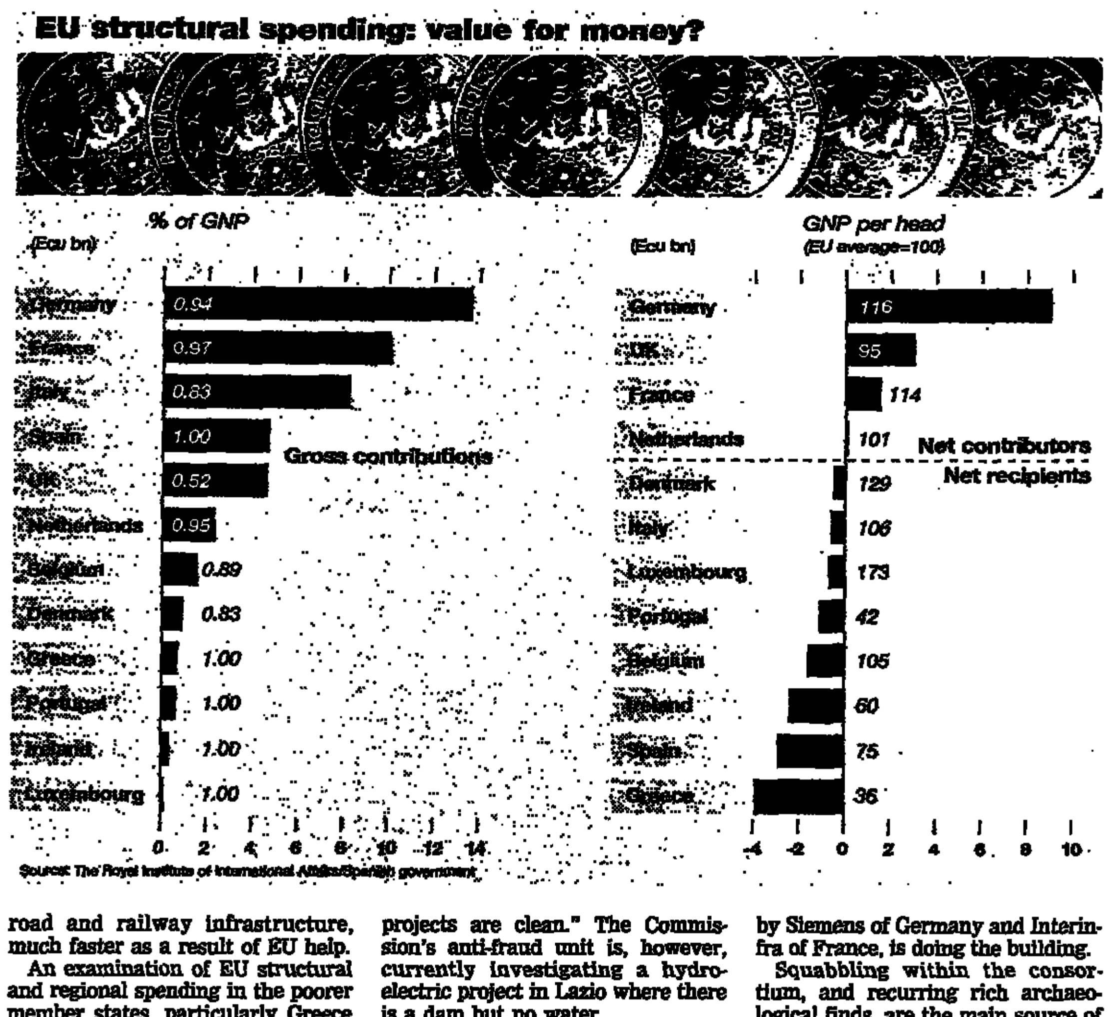
The benefit of this and new road links to Spain's depressed south has yet to translate into significant investment, much less jobs. But as Mr Jose Borrell, Spain's minister of public works, says: "You may not have industry in Andalusia and Extremadura, but you have the chance of putting some there; without roads and rail links you haven't."

The link runs through Castilla-La Mancha, the land of Don Quixote, where Ciudad Real, a slumbering backwater now only 50 minutes instead of nearly three hours from Madrid, has become a dormitory town for the capital and alternative investment site for companies based there. "It's been a sort of unexpected miracle," says Mr Jose Bono, Socialist president of the regional government.

In his office in Toledo – once the Emperor Charles V's bedroom – Mr Bono says EU funding amounting to 40 per cent of his budget is bringing the region into the 20th century. Roads, electricity and telephones, modern sewage plants and more rational irrigation, new schools and hospitals, have drawn in more private investment since Spain joined the EU in 1986 than in the previous half-century.

He and other Spanish officials acknowledge that Spain might have grown faster by funding its more dynamic regions, but only at the cost of "disarticulating" the country. "That debate has been resolved for us by the European model," Mr Bono says, with gratitude and feeling.

EU structural spending: value for money?



Source: The Royal Institute of International Affairs/Spanish government

OBSERVER

Czech this bitter brew

■ In the second world war, Brits grew accustomed to – if not exactly in love with – that culinary miracle, the powdered egg. But has anyone spotted the beer drinker's equivalent of a doodlebug?

The reason for asking is the news that somewhere in central Europe powdered beer will soon be hitting the street. It is being launched by Jan Oliva, a Czech brewer who hails from the land which gave us the original Budweiser.

Oliva, like many Czechs, is keen to break into the Russian beer market but has been hindered by high transport costs. Hence his recipe for powdered beer. Far from feeling shameful at committing such sacrilege, Oliva stoutly defends his product: "It looks like beer, it tastes like beer and it has a head, too," he says. It also has the big advantage of costing the equivalent of 8p a pint.

Initially he is selling 40 tons of beer powder to the Russians. But who knows how long it will be before British pubs are ringing to the cries of a "pint of your best powder, Landlord!"

Rutting season

■ Who is Jill Rutter, the shadowy member of the prime minister's Downing Street policy unit, who sat in on a Railtrack board meeting last Friday? Surely she is not the same Jill Rutter who, as a Treasury civil servant, was seconded to the team which dreamed up the poll tax? Many regard her as one of its real architects.

If they are one and the same, then her presence behind the scenes at Railtrack strengthens the suggestion of the late Robert Adley MP: that rail privatisation is a "poll tax on wheels".

Mail shot

■ The last word in high-tech communications snobbery. A colleague's fax machine has received a letter from a US corporation, ending with the following apology: "Our company does not have an Internet address, but you can fax a message at . . ."

Stone turned

■ Argentina's President Carlos Menem rarely misses a chance to embellish his image of playboy, sportsman, racing car-driver and hob-nobber with *glitterati*.

So when Oliver Stone sought his support for a film version of the musical Evita, he agreed to open the doors of the Casa Rosada presidential palace – the famous pink house in Buenos Aires that was the scene of Juan and Eva Peron's greatest triumphs 40 years ago.

'We couldn't find a chairman so we settled for a mascot'

But he soon realised that the rank and file of his Peronist party – which still worships the Perons – abhorred the notion of a Yankee film-maker desecrating the image of Evita.

The president is even more interested in getting re-elected next year, so he just as quickly pulled out again. Bitter tears from Oliver.

Missing inaction

■ Mohammed Nashashibi, Palestine's new finance minister, was not in his office yesterday. Not surprising really, as he doesn't have an office, a telephone, or a secretary. He may or may not – depending on who you talk to – have a home in Jericho, the fledgling capital of Palestinian self-rule.

Mohammed Shaker, the only man officially allowed to talk to the press on behalf of the Palestinian administration, said the minister's whereabouts were unknown.

He may have gone to Nablus, or east Jerusalem, or perhaps was indeed somewhere in Jericho.

Nashashibi has said that his finance ministry would be the "most important department" of the new Palestinian administration. If he had a secretary, that message could probably be passed on to his fellow officials.

Tea-tray travel

■ Now that the Thais have found a purpose for redundant Thames river-buses, perhaps Britain's rail commuters might follow their practice regarding rail networks.

In provincial Thailand, people use rail tracks for their personal transport, improvising their own rolling stock from wheels placed under a tea-tray-sized platform. Standing, they punt their way briskly down the line, with the help of a long pole.

How many have not yearned to be their very own train driver? Imagine the advantages: fitness addicts would take to it like ducks to water.

It might take a day to get into the City from Tunbridge Wells. But on Wednesdays at least it would avoid sitting in traffic jams . . .

Ex-directory

■ So you want the number for Heathrow airport? Readers of British Telecom's latest telephone directory are requested to "see Airports".

On arrival at this page in the directory, they are re-directed to "see our display advertisement". Then the trail goes cold.

The same fate awaits anyone wanting to discover the number for Gatwick and Stansted airports. Of course, pay 45p to directory inquiries and the number is yours for the asking.

Keep your station

■ The news that Airtours, which specialises in ferrying the sun and sangria crowds around the Mediterranean, is encouraging customers of its new cruise ship venture to dress for dinner, reminds Observer of an old tale of a wealthy scrap metal merchant who took his wife on a round-the-world cruise.

Two days out of Southampton, the retired couple were invited to dine at the captain's table.

"Certainly not!" snapped the wife. "We didn't pay all that money to eat with the staff."

FINANCIAL TIMES
Tuesday June 21 1994

Carmakers' discussions to focus on co-operation in Europe

Mazda reopens talks with Ford

By Michiyo Nakamoto in Tokyo and John Griffiths in London

Mazda, the Japanese carmaker, yesterday said negotiations had resumed, after a year's suspension, on possible European co-operation with Ford, the US carmaker.

Ford has a 24.5 per cent stake in the Japanese company and earlier this year strengthened its representation on the Mazda board. It had been expected that Ford and Mazda might renew discussions on the possible production by Ford in Europe of Mazda badge cars for sale in European markets.

However, Mazda said no specific projects or details of co-operation had been decided, and Ford of Europe executives insisted that no fresh initiatives had been launched.

Senior Ford executives said earlier this year that European production for Mazda would be one of the priority issues to be examined, as a result of the closer strategic relationship being developed between the two groups.

The prospect of Mazda being drawn into closer collaboration with Ford has also been revived following the "globalisation" programme announced several weeks ago by Ford.

Ford is restructuring its operations into "world" car divisions in which Europe is taking the main responsibility for designing and developing small and medium-sized cars for production worldwide.

Mr Alex Trotman, Ford chairman, has held out the prospect of Mazda becoming part of these "world" operations.

European collaboration talks between Mazda and Ford were suspended in March last year after the two companies decided that a co-operative deal being discussed at that time was not to either's advantage.

Co-operation between Mazda and Ford then was considered within a certain framework and focused on a specific car model, Mazda said. For that particular model, the companies decided a deal was not attractive.

However, talks have restarted on a different basis and a variety of options are likely to be discussed, including joint venture manufacturing and own-equipment manufacturing in which Ford would make cars to be sold by the Japanese car company with the Mazda badge.

Mr Yoshihiro Wada, president of Mazda, however, denied speculation that Mazda will commission Ford to assemble small passenger cars in Europe at Ford's UK manufacturing plant.

The Japanese car company, which has seen its European sales battered by the high yen, has been eager to find a way of manufacturing its cars within Europe.

"The European market follows the US market in importance to Mazda, so local sourcing is crucial," Mazda said.

The company, which has also seen sales in Japan slump, does not intend to set up manufacturing on its own, as its marketing capacity in Europe would not support a full-scale independent manufacturing plant.

Supreme court backs unitary tax

Continued from Page 1

the method embraced by the US federal government and by international tax treaties, the court said California's use of the method did not infringe on Congress's sole right, under the US constitution, to "regulate commerce with foreign nations, and among the several states".

Legal experts said the decision showed the court's determination to leave matters of policy up to Congress, even when, as in the Barclays case, Congress has indicated its stance only by rejecting administration requests to legislate against unitary tax.

California last year passed a new tax law which essentially removed compulsory unitary taxation by allowing companies to choose instead a "water's edge" assessment, in which only income within the US is taxed.

California governor Pete Wilson's budget for the financial year which starts on July 1 had counted on a favourable Supreme Court ruling allowing the state to collect about $600m in past tax assessments during the next 12 months.

Earlier estimates by the state had put the amount of money at stake at more than $4bn.

South Korea offers talks as move towards first summit

Clinton hopeful of averting clash over North's nuclear programme

By John Burton in Seoul

South Korea proposed a working-level meeting with North Korea on June 28 yesterday as an initial step in arranging the first summit between the leaders of the divided Korean peninsula.

In Washington, President Clinton said there were "hopeful signs" that a clash over North Korea's nuclear programme could be averted, but cautioned that Pyongyang's offer to freeze the programme had to be verified.

"If it's going to be frozen, then clearly that is grounds for talking, but we have to know what the facts are, so we'll be attempting to determine that," Mr Clinton said.

The US continued efforts to line up support for sanctions through a UN Security Council resolution in spite of weekend reports that the proposals had been suspended. US officials were consulting their Russian counterparts and said "we are being very cautious" about the proposed freeze.

North Korea's response to the South's proposal will provide an early indication of the sincerity of last week's offer by the North's President Kim Il-sung to meet

Seoul signals end to curbs on Hyundai ....Page 5

President Kim Young-sam without any preconditions. The working-level meeting will discuss the time and place of the summit.

Mr Lee Hong-koo, the South's deputy prime minister for unification, said: "Results should be produced in the near future so that this preparatory contact does not drag on or pose problems in procedure and agenda-setting as in past contacts. The sooner the summit occurs, the better."

Other government officials cautioned that it might take several months to prepare for the meeting. The Seoul bourse reacted positively to the summit proposal, with the general share index rising by 1.76 per cent to 942.50.

A summit would guarantee that South Korea will have a role in resolving the North Korean nuclear dispute and complementing possible North Korean talks with the US and the International Atomic Energy Agency on international nuclear inspections, the foreign ministry in Seoul said.

The South Korean president said his main summit goal would be to secure agreement on mutual nuclear inspections between the two Koreas, as promised in their 1991 non-nuclear pact. "It is very important for the South and North to make mutual inspections in the end," Mr Kim said.

Disagreements over the issue led to the collapse of contacts between Seoul and Pyongyang in late 1992. The North refused the South's demand for inspections of suspected nuclear facilities, which would be more intrusive than those requested by the IAEA. Foreign ministry officials predicted that inter-Korean talks leading up to the summit would progress in tandem with proposed discussions between North Korea, the US and the IAEA.

That would prevent the North from using the summit as an opportunity to disrupt Seoul's close co-operation with Washington on the nuclear issue.

Steel subsidies battle to go to European Court

Continued from Page 1

owned companies in Italy, Spain, Germany and Portugal.

The association has asked the court to rule that the aid be suspended immediately until the court has reached a final judgment on the legality of the subsidies, a process that could take two to three years.

British Steel said it was acting because it had no other means remaining to express its dissatisfaction about European steel subsidies. "We cannot get the politicians to address the problem, so we are forced to go to the court," Mr Brian Moffat, chairman and chief executive, said yesterday.

The company's assault appears to be a high-risk strategy, as it cannot be guaranteed victory even if, as Mr Moffat said, "the arguments are basically with us".

But British Steel made clear its aim was to stop any further aid by using the Italian and Spanish subsidy approvals as test cases.

If British Steel wins, Commission officials would have a precedent to help them turn down future requests for state aid. But Mr Moffat hopes the case will cause member states "at least to look more than once" at using Article 95 of the treaty, which allows state subsidies to be paid to companies but only after unanimous consent from the Council of Ministers.

The Commission insisted yesterday it had acted legally under Article 95 of the treaty.

British Steel made its own decision to begin the action, but it is understood that the UK government was consulted. The Department of Trade and Industry said it "understood the frustration which has driven some efficient unsubsidised private sector companies to take this independent action".

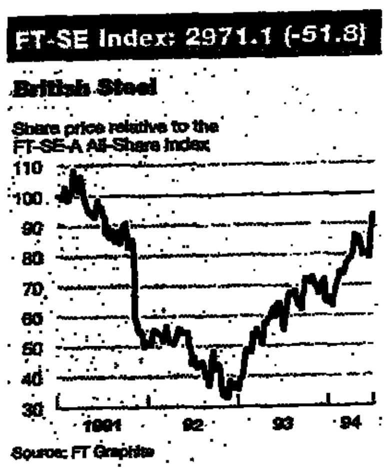
British Steel's move coincided with its announcement of pre-tax profits of £80m ($122m) for the year ended April 2, compared with a £149m loss a year earlier. The news helped the company's shares buck the trend in a sharply falling stock market, rising 5¾p to 139p.

THE LEX COLUMN

Steeled for recovery

Since British Steel's profits were more or less in line with expectations, its heroic 4 per cent rise in yesterday's sorry equity market must have been due to the doubling of its dividend. But investors may be optimistic if they think such generosity is a harbinger of things to come. Quite apart from the fact that the payout is covered only 1.7 times, the recovery will present new challenges for British Steel which may limit the room for dividend growth. As long as there are no real signs of the capacity problems in Europe being resolved, the next downturn promises to be as brutal as the last. The company must position itself to survive.

FT-SE Index: 2971.1 (-51.8)



Source: FT Graphite

The primary task is to reduce its dependency on European markets. The planned investment in Tuscaloosa is clearly part of such a strategy, but it will mean an increase in capital spending which has been held down during the recession. British Steel's balance sheet again contains net cash, but it survived the recession as well as it did only thanks to the substantial cash endowment with which it was privatised in 1988. It will need to maintain that balance sheet advantage throughout the recovery.

European revival should see British Steel generating handsome amounts of cash. Its UK plant, though, is already operating at between 90 and 95 per cent of manned capacity. More capacity could be created with only relatively modest spend on bottlenecks, but given its complaints about oversupply in Europe, it would look odd for British Steel to add more production. For now the recovery looks likely to be felt more in prices rather than volume. To restore its peak dividend and cover it twice, British Steel's earnings would have to rise five-fold. That may take longer than the market thinks.

UK equities

It will be cold comfort to investors that yesterday's sharp fall in UK equities was brought about by non-domestic jitters. The main trigger was Friday's rise in the US commodities index, which fuelled inflationary fears and savaged bond markets. There is also little comfort in the fact that UK equities fell less far than continental markets. The FT-SE 100 index dropped through the 3,000 mark with few signs of institutional buying. Trading was thin, with most of the action in the futures market. Though it is now harder to argue that equities are overvalued on fundamentals, institutions are unlikely to move in until the market stabilises.

The main hope remains that shares will be carried higher as the strength of the recovery in corporate earnings becomes apparent. But the higher bond yields rise, the greater the scope for disappointment on this score too. Profits will notonly be constrained by higher borrowing costs; the increased cost of capital could curtail investment, leading to less robust growth than currently anticipated. So far, the only indications of interest rates curbing activity are in the housing market, where inflation forecasts are being downgraded. But the government's need to plug its deficit seems likely at some stage to crowd out corporate sector investment too. An anaemic recovery would damp inflationary fears and so could be good for bonds. But such an outcome would hardly be bullish for shares.

Philip Morris

It would be too simple to blame Marlboro Friday for the sudden departure of Mr Michael Miles from Philip Morris. True, $12bn was wiped off the company's market value following its decision to cut the US price of its leading cigarette brand. Shareholders are understandably concerned that they will never see a decent return on that investment, but the shares had been driven up by margins on Marlboro that were unsustainable. The bigger mistakes came earlier, when the price differential between Marlboro and cheaper brands was widened despite falling market share.

Since Mr Miles took charge in 1991, though, the bind was partly of his own making. The episode underlines the fact that, despite its food interests, Philip Morris faces bigger challenges in tobacco. It is no coincidence that Mr Miles, who arrived with Kraft Foods in 1988, has been replaced by two tobacco veterans. The margin squeeze experienced across the US industry following Marlboro Friday is likely to change the competitive landscape. BAT Industries' acquisition of American Tobacco in April may be a sign of consolidation to come. The introduction of a new federal excise tax also poses problems, although the sums being mooted are less fearsome than a few months ago.

Against that background, Mr Miles' advocacy of plans to split food from tobacco may have seemed like a distraction. While some measures to increase shareholder value would be welcome, squeezing the most from the tobacco business would be a good place to start.

Electra

Electra Investment Trust has often been compared to 3i, the venture capital group on the point of being floated. But 3i's advisers, who are to announce the launch price tomorrow, will be hoping investors do not take the analogy too far. Not that there is any reason to complain about Electra's underlying performance. Its interim results – in particular, the 11.6 per cent rise in net assets over the half year to the end of March – exceeded expectations. It is rather that Electra is now trading on a 17 per cent discount to net assets. The implied discount on its unquoted investments is even greater if its quoted investments are valued at average market discounts. 3i is thought to be looking for a 13 per cent discount.

There are, of course, real differences between the two groups. 3i invests in smaller companies, which are expected to outperform larger companies at this stage of the economic cycle. Moreover, many of 3i's stakes are valued ou the basis of earnings relating to the year to June 1993 or earlier. Since then profits will, in most cases, have moved ahead strongly. It could also be argued that Electra's discount to net assets is only so large because of yesterday's sharp fall in the equity market. Its shares rose only 9p, despite net assets per share exceeding expectations by about 30p. The snag is that this point cuts both ways. 3i may have to accept a fractionally larger discount, given it is being floated on choppy waters.

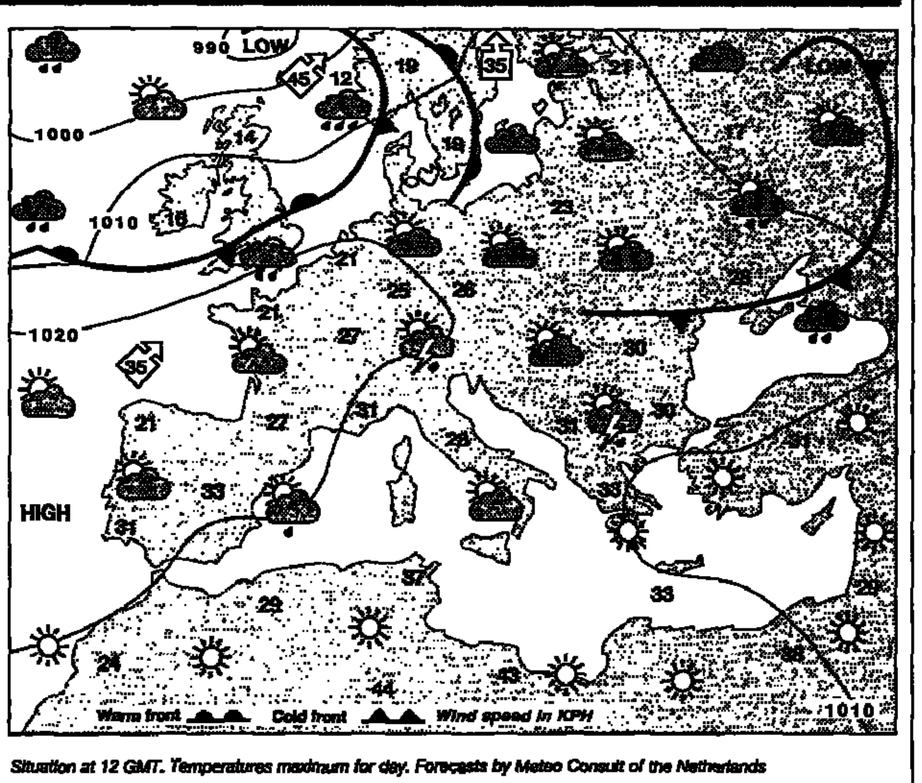
FT WEATHER GUIDE

Europe today

A cold front will bring overcast skies and rain to the British Isles and Norway. Sweden will start with sunny spells, but cloud will increase, followed by rain. Finland will have frequent sunny spells. The Benelux and north-western France will be partly cloudy with only a small risk of light rain over the northern regions. Germany, Poland, the Czech Republic and Slovakia will have sunny spells. Sunny intervals and thunder showers are likely in the Alps and northern Italy. Central and southern France and Italy, Portugal and Spain will be sunny. Thunder showers will develop over the Balkans, while Greece and Turkey will be sunny.

Five-day forecast

A high pressure area will keep the continent and most parts of the British Isles mainly dry until the end of the week. However, rain will persist in Scotland. Over the weekend, the likelihood of thunder showers will increase, especially over France. Temperatures will gradually rise to well above normal over western Europe. Scandinavia will be cloudy with some outbreaks of heavy rain, although on Friday a small high pressure area will bring sunny spells.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES (Maximum Celsius)

City		°C	City		°C	City		°C	City		°C	City		°C	City		°C
Abu Dhabi	sun	38	Beijing	shower	31	Caracas	fair	27	Faro	sun	27	Madrid	sun	33	Rangoon	rain	28
Accra	shower	29	Belfast	rain	17	Cardiff	rain	18	Frankfurt	fair	27	Majorca	shower	28	Reykjavik	shower	11
Algiers	sun	28	Belgrade	shower	31	Casablanca	sun	24	Geneva	sun	26	Malta	sun	33	Rio	fair	26
Amsterdam	cloudy	21	Berlin	fair	28	Chicago	sun	30	Gibraltar	sun	29	Manchester	rain	18	Rome	sun	28
Athens	fair	33	Bermuda	fair	29	Cologne	fair	25	Glasgow	rain	17	Manila	shower	32	S. Frsco	fair	20
Atlanta	fair	35	Bogota	cloudy	18	Dakar	fair	28	Hamburg	cloudy	23	Melbourne	cloudy	15	Seoul	sun	31
B. Aires	fair	18	Bombay	rain	31	Dallas	fair	34	Helsinki	fair	22	Mexico City	fair	22	Singapore	shower	31
B.ham	rain	19	Brussels	fair	23	Delhi	fair	40	Hong Kong	rain	29	Miami	thund	32	Stockholm	cloudy	24
Bangkok	rain	32	Budapest	sun	31	Dubai	sun	38	Honolulu	fair	31	Milan	fair	30	Strasbourg	fair	28
Barcelona	sun	27	C.hagen	cloudy	21	Dublin	rain	18	Istanbul	thund	31	Montreal	cloudy	25	Sydney	cloudy	16
			Cairo	sun	38	Dubrovnik	sun	31	Jakarta	fair	31	Moscow	cloudy	18	Tangier	sun	23
			Cape Town	cloudy	13	Edinburgh	rain	18	Jersey	cloudy	17	Munich	shower	27	Tel Aviv	sun	33
									Karachi	fair	33	Nairobi	fair	25	Tokyo	thund	26
									Kuwait	sun	42	Naples	sun	29	Toronto	sun	29
									L. Angeles	fair	21	Nassau	fair	32	Vancouver	sun	22
									Las Palmas	sun	25	New York	fair	29	Venice	thund	29
									Lima	cloudy	20	Nice	sun	26	Vienna	fair	30
									Lisbon	sun	25	Nicosia	sun	30	Warsaw	sun	25
									London	shower	21	Oslo	rain	21	Washington	fair	32
									Lux.bourg	fair	25	Paris	fair	25	Wellington	rain	12
									Lyon	fair	27	Perth	fair	17	Winnipeg	sun	29
									Madeira	fair	23	Prague	sun	29	Zurich	fair	24

FINANCIAL TIMES
COMPANIES & MARKETS
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IN BRIEF

Compensation for Daf creditors

Bank creditors to Daf, the Dutch truckmaker which collapsed in 1993, have received nearly 90 per cent of what they were owed and are likely to be compensated in full. Page 20

Challenge to Zantac
The challenge to the world's best-selling drug, Zantac, made by Glaxo, intensified yesterday when a second company said it would launch a generic version of the drug at the end of next year. Page 20

Eramet expects listing
Eramet, the French group which is the world's biggest producer of ferro-nickel and high-speed steels, has just put the finishing touches to a FFr2bn ($360m) five-year investment programme. Mr Yves Rambaud, chairman and chief executive, expects his company to be listed on the Paris bourse before the end of 1994. Page 21

Krupp Hoesch breaks up steel side
Krupp Hoesch, Germany's second biggest steelmaker, has broken its steel division into independent companies in an attempt to push the business back into profit. Page 22

Application for Mexican telephone licence
Grupo Domos, the private Mexican company that last week agreed to purchase 49 per cent of Cuba's national telephone company, plans to apply for a long-distance telephone licence in Mexico. Page 22

Rising margins for Australian foods group
Goodman Fielder, the ailing Australian foods group, should achieve "long-term margins on sales of 9 to 10 per cent, across the business," according to its chief executive. Page 24

East Midlands hit by closure costs
East Midlands Electricity is raising its dividend by 16.4 per cent to 22.7p in spite of a sharp fall in profits, mainly because of the costs of closing most of its contracting operations. Page 26

'Tempered optimism' at Electra
Net assets at Electra, the venture capital investment trust, rose 11.6 per cent to 380.9p per share over the six months to the end of March. Mr Michael Stoddart, chairman, said he viewed the next few years with "tempered optimism". Page 26. Lex, Page 18

Hasbro may raise Spear bid
Hasbro, the biggest US toy and games group, has not ruled out raising its bid in the battle for JW Spear, the UK company which owns the rights to the Scrabble board game outside North America. Page 26

Renold [illegible]
Renold, [illegible] more than doubled its dividend after reporting [illegible] a fivefold increase in pre-tax profits for the year from £1.2m to [illegible] ($9m). Page 27

Milan falls 8%
The Milan equity market, concerned about the outlook for interest rates and inflation, led Europe down last week with a fall of 8.1 per cent. Back Page

Companies in this issue

Chief price changes yesterday

Mediobanca forced to delay rights issue

By Andrew Hill in Milan

Mediobanca, the merchant bank at the heart of Italian finance and industry, was last night forced to postpone its L1,500bn ($940m) rights issue after a further sharp decline in the Milan stock market cut its share price by nearly 5 per cent in a day.

The postponement is particularly embarrassing for the merchant bank, which has an unrivalled reputation in the Italian market. Mediobanca is adviser to most of the country's biggest companies, and a shareholder in many of them.

Mediobanca's shares dropped L748 to L14,411 yesterday, closing for the first time below the L15,000-a-share floor which the bank set for the rights issue when it was announced in April.

After the market closed, the bank said it would "define a new timetable for the operation in the light of market developments". The bank added that it had received strong interest from abroad in the international issue, which was intended to broaden its shareholder base and raise funds for investment, particularly in Italian privatisations.

The bank seems likely to wait at least 10 days before considering a relaunch. But a delay of more than three or four weeks would take it into the slack holiday period, when an operation of this scale would be impossible to carry out.

Its share price has declined nearly 24 per cent since the end of April. Investors were unsettled by news last month that four top executives of the bank were under investigation for alleged conspiracy to file false accounts on behalf of Ferruzzi-Montedison, the industrial group which came close to collapse last year. That inquiry is continuing, although Mediobanca has denied that there is any substance in the allegations.

In the last two weeks, Italian markets have come under pressure as international investors have begun to act on growing doubts about the new rightwing government's handling of the economy. Milan's Comit index fell 4 per cent yesterday, wiping out the last trace of equity gains achieved since Mr Silvio Berlusconi, the media magnate, won the March election.

Mediobanca's rights issue is one of the biggest of a shoal of bond and equity issues which will hit the Italian market over the next month. In total, the issues are expected to raise more than L10,000bn. Analysts are already afraid that future trading will be affected if underwriters are left with much stock.

Cariplo float, Page 20

New US bidder enters battle for Bridge Oil

By [illegible] in Sydney

The bidding war for Bridge Oil, the Australian oil and gas group, sprang into life yesterday, when Texas-based Parker & Parsley increased its offer from 70 to 80 cents a share – and was promptly trumped by a new bidder.

The new offer of 85 cents a share, valuing the target at A$358.2m ([illegible]), was recommended by the Bridge board. It was launched by a US partnership called Joint Energy Development Investments (Jedi). Bridge, whose proved and probable reserves total 88m barrels of oil equivalents, controls mainly gas assets and most of its properties are in the US.

Jedi is owned by US-based Enron, the rapidly growing natural gas company, and the California Public Employees Retirement System (Calpers), one of the biggest public pension funds in the US. Using a new company called Gantry as its bid vehicle, Jedi entered the fray within minutes of P&P's increased offer being announced.

P&P, whose opening bid for Bridge was announced last month, holds a 4.2 per cent interest in the target. [illegible] all conditions.

After the rival Jedi offer was unveiled, Bridge shares quickly rose to the new bid price of 85 cents. [illegible] Macquarie Equities is understood to have picked up around 18m Bridge shares in the market – about 2.5 per cent [illegible] for Jedi.

P&P executives said: "We were serious in our intent and we remain serious," said Mr Herb Williamson, executive vice president. "Any and all options remain open ... price being one of them."

The Bridge board is recommending the Jedi bid in the absence of any higher offer, despite the fact that a valuation of the company by Grant Samuel put Bridge shares at between 95 cents and A$1.13.

Jedi said that if its offer were successful, "key" Bridge management in the US would assume operation of the Bridge business and gain equity participation in Gantry. [illegible]

British Steel lifts payout on rebound

By Andrew Baxter [illegible]

British Steel is [illegible] dividend after [illegible]

[illegible]

Operating profit was £116m [illegible]

Miles's departure is a victory for those who want cigarettes to remain Philip Morris' core activity, writes **Richard Tomkins**

Welcome back to Malboro country

Anyone wanting a simple explanation for Mr Michael Miles's abrupt departure from the top job at Philip Morris need look no further than the 40 per cent fall in the company's share price in the last nine months. The heads of many a US corporate giant have rolled for less.

But the greater significance of Mr Miles's departure is that it marks a triumph for those within the company who are set on defying the powerful US anti-smoking lobby and intend to keep cigarette-making as a core activity.

Just 10 years ago, cigarette making accounted for the overwhelming majority of Philip Morris's revenues. But faced with the prospect of a long-term decline in smoking, it decided to use the cash-flow from its tobacco operations to finance a diversification into the food industry.

Under its then chairman and chief executive, the charismatic Mr Hamish Maxwell, it made a series of big acquisitions, including those of General Foods in 1985, Kraft in 1988, and Jacobs Suchard in 1990. Last year, the food companies contributed 50 per cent of group turnover (though only 34 per cent of group operating profits).

When Mr Miles took over in 1991, he was the first person from outside the tobacco industry to lead Philip Morris. As the former chairman and chief executive of Kraft, he had come up through the food side, and some analysts say the non-smoking 54-year-old seemed ill at ease in the role of Marlboro man.

He was not made any more comfortable when the company's US cigarette-making activities started to come under increasing pressure – first from low-price competition and second from the outbreak of an unprecedented wave of opposition from the US anti-smoking lobby.

Mr Miles's response to the first threat came on a day remembered as Marlboro Friday, when he horrified shareholders by slashing the price of Philip Morris's premium brands to win back market share. The move succeeded in boosting sales, but prompted a price war and contributed to a fall in after-tax profits from $4.9bn to $3.6bn last year.

Since then, prices have crept up a little and Philip Morris looks set to claw back some of its lost profits this year. But two months ago the corporate boat was rocked again when the *Financial Times* disclosed that top management were considering a plan to hive off the troublesome tobacco operations into a separate company.

Some analysts cautiously welcomed the idea as a way of relieving Philip Morris's share price from the depressive effect of its association with cigarette making. But to those who had built up the company in its present form – notably the retired Mr Maxwell, still a highly influential member of Philip Morris's board – it was anathema.

Matters came to a head at a rancorous board meeting last month. After more than six hours of debate – which ranged, it is said, over Mr Miles's performance as well as the restructuring scheme – the plan was rejected. Instead, the board promoted Mr William Murray from chief operating officer to vice chairman for world-wide food, and Mr Geoffrey Bible from executive vice president to vice chairman for world-wide tobacco.

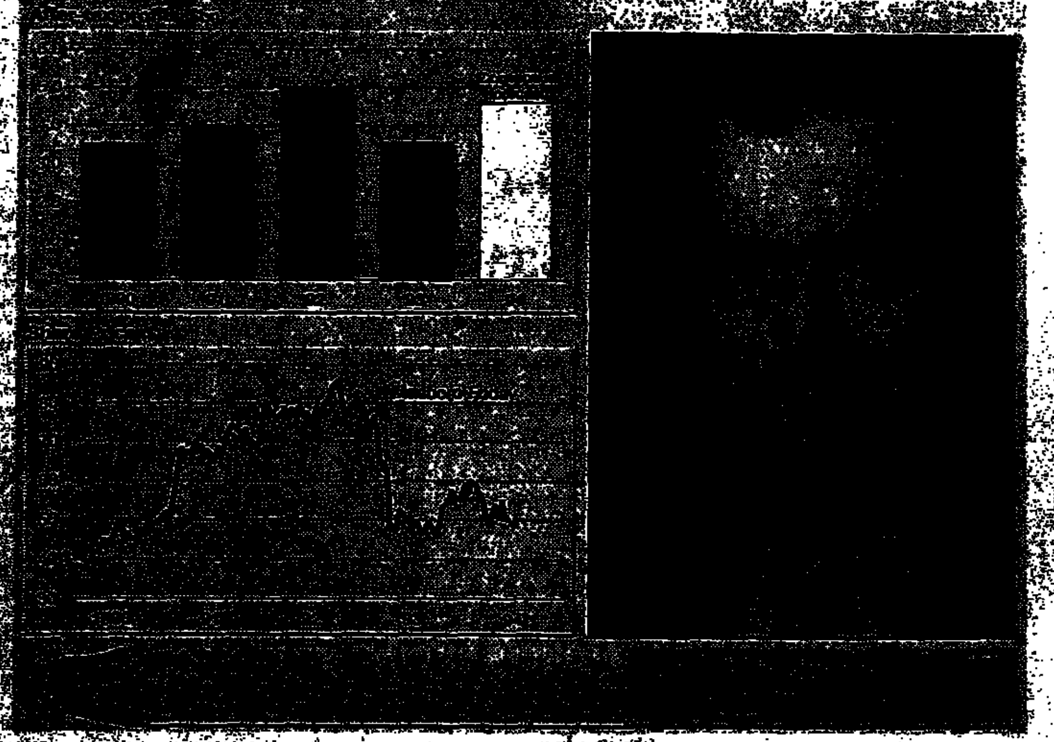
Three weeks later, the two have been promoted again, and Mr Miles has gone. So, apparently, has the notion of splitting up Philip Morris into separate food and tobacco operations. Yet investors seem happy at the outcome: the shares were up $⅝ at $51 yesterday as the market digested the implications.

Why? Stock market analysts such as Mr Gary Black at Sanford C. Bernstein, a Wall Street brokerage, say the trouble was not so much the difficulties the company was experiencing with its cigarette operations in the US as a lack of leadership and a decline in morale.

Mr Miles was a notoriously low-profile chairman and chief executive, declining to face the press and rarely meeting analysts. Investors hope that a new and more aggressive leadership will be better at getting Philip Morris's message across – and that this, more than any break-up of the business, will succeed in enhancing shareholder value.

Lex, Page 20

Philip Morris: [illegible] share price



Tobacco men succeed Miles

Mr Michael Miles, the non-smoking chairman and chief executive of Philip Morris, the US food and tobacco group, has suddenly quit following a boardroom rejection of his plan to split the group into separate food and tobacco companies.

He has been replaced by two men from the tobacco side of the business: Mr William Murray, who becomes chairman, and Mr Geoffrey Bible, who becomes president and chief executive. The changes take immediate effect.

Mr Miles was chairman and chief executive of Kraft, the US food company, when Philip Morris acquired it in 1988, and became chairman and chief executive of Philip Morris in 1991.

One of the most difficult periods of his tenure came in April 1993 when Philip Morris cut the price of its best-selling Marlboro cigarettes and other premier brands to regain market share from low-cost competition, sending earnings and the share price into a tailspin.

Announcing his decision to go, Mr Miles said he left "with full confidence that the difficult decisions made over the past two years will be proven right by our results in 1994 and beyond".

However, he said, the recovery of Philip Morris's US tobacco business and the continued growth in international tobacco meant it made sense for an executive from the tobacco side to take charge.

Eurotunnel falls to slim margin over rights price

By Simon Davies in London

The [illegible] global stock markets created further difficulties for Eurotunnel's underwriters yesterday [illegible] registered shares fell [illegible] to 288p, [illegible] 7 per cent premium to the rights price, with just [illegible] days before the [illegible] offer closes.

[illegible]

The French underwriting syndicate was led by Banque Indosuez, and includes Banque Nationale de Paris, Banque Paribas and Crédit Lyonnais, while the British syndicate was led by Morgan Grenfell [illegible] and includes Robert Fleming and Salomon Brothers.

Daf bank creditors likely to get full compensation

By Ronald van de Krol in Amsterdam

Bank creditors to Daf NV, the Dutch truckmaker which collapsed in 1993, have received nearly 90 per cent of what they were owed and are likely to be compensated in full.

A report by the Dutch receivers said it was realistic to assume that Daf NV's 11 bank creditors would receive the full Fl 732.5m ($400m) claimed. On May 1, they had received Fl 645.7m, or 88 per cent of the total, after three rounds of payments.

Daf sought protection from creditors in February 1993. It was later resurrected in slimmed-down form as Daf Trucks NV, a new company that excluded Leyland Daf, the former Daf's UK business. Shareholders in the old Daf NV were left holding worthless shares.

The money raised so far for bank creditors has been generated mainly by the sale of assets owned by three Daf NV subsidiaries.

These assets, which were pledged as collateral to the banks during Daf's financial crisis, have been sold to Daf Trucks.

The second main source of money is the transfer of funds from the UK receivers of Leyland Daf.

Holders of a bond issued by Daf NV in 1988 have lodged *claims of Fl 157m, and they* have sought, so far unsuccessfully, to win a share of the assets belonging to these subsidiaries.

Daf's largest bank creditor, ABN Amro of the Netherlands, had received Fl 294.6m of its claim of Fl 32.6m by May 1 1994, the receivers' report said.

Among the old DAF's UK bank creditors, Lloyds Bank had received Fl 48.5m out of Fl 54.8m claimed, NatWest Fl 37.8m out of Fl 42.5m and Barclays Fl 25.5m out of Fl 28.8m.

The receivers' figures, published in an interim report, are exclusive of interest and facility fees.

The debts of the Daf Finance Group, the former Daf financing arm, have been reduced to Fl 1.06bn from Fl 1.86bn, reflecting the strategy of gradually *selling the finance company's portfolio.*

Foreign rather than domestic creditors have benefited so far from these sales, but the final *unravelling of the financing* company's affairs is expected to take years.

Gas Natural completes Enagas deal

By Tom Burns in Madrid

Gas Natural, the Spanish domestic natural gas distributor which is controlled by the partially-privatised Repsol energy and chemicals conglomerate, *has completed the* delayed takeover of Enagas, Spain's government-owned monopoly gas importer.

The acquisition, priced at Pta51.2bn ($379m) for 91 per cent of Enagas, turns Gas Natural into a leading participant among European gas companies.

The takeover had first been signalled nine months ago but had been delayed over pricing disagreements – the government had sought Pta80bn-Pta120bn for the sale of Enagas – and by Repsol's insistence that it would not take on the burden of a pipeline that Enagas was constructing between Spain and the Algerian gas fields.

To complete the deal, Enagas has put the Pta300bn pipeline project into a separate company that remains under public ownership and which Gas Natural has an option to buy in 2000.

UK society may take new savers this month

By Alison Smith in London

Cheltenham & Gloucester Building Society is likely to announce before the end of the month that it is once again open to accept savings from *new customers.*

Almost two weeks ago, C&G closed its doors to new customer deposits after the High Court ruling the day before which barred the terms of Lloyds Bank's £1.8bn ($2.8bn) agreed cash bid for the society.

The society said then that this was a short-term measure to prevent people trying to make a speculative gain from the Lloyds offer.

C&G said yesterday it would announce its plans for re-opening for savings when it was slightly further forward in its thinking in terms of understanding the judgment. The society has sought to play down the financial impact of the closure.

While the court ruling would not allow new depositors to receive a windfall benefit from the Lloyds offer, C&G said some potential customers might wrongly interpret the judgment in this way.

Sir Donald Nicholls, the vice-chancellor, said in his ruling that C&G could not make cash payments to more than 220,000 C&G investors who had been shareholding members of the society for less than two years. *This would make it difficult* to win the necessary majority in favour of the deal.

C&G's emphasis that the move is for the short term only appears to suggest that it does not see closing the society to new members as a way of getting round the terms of the judgment, by raising the proportion of members of at least two years' standing, and so – in theory – increasing the prospect of winning the high majority of investing members needed to support the deal.

Alongside its work on producing a revised offer to put to members in the wake of the judgment, *the society also has* to take a decision shortly on whether to ask the Court of Appeal for leave to appeal against Sir Donald's decision.

If C&G seeks an expedited appeal it must launch the process within 28 days of the original judgment – before the end of the first week in July.

Glaxo faces more ulcer drug patent challenges

By Daniel Green in London

The challenge to the world's best-selling drug, ulcer treatment Zantac, made by the UK company Glaxo, intensified yesterday when a second company said it would launch a generic version of the drug at the end of next year.

Canada's Novopharm has applied to the US Food and Drug Administration (FDA) for approval to sell a version of Zantac, whose patent *expires in December 1995.*

Glaxo said it may file a patent infringements suit against Novopharm.

At stake are the $2bn a year revenues *that Zantac makes in* the US alone. Total Zantac sales are $3.5bn a year.

The active ingredient, ranitidine, exists in two versions. The older Form 1 is patent protected until December 5 1995 in the US but is unstable, says Glaxo. Zantac is made of Form 2 under patent protection until 2002.

In April Glaxo filed a lawsuit against Geneva, a US subsidiary of Swiss drug company Ciba, which like Novopharm plans to market Form 1. It alleged infringement of Form 2 patents in both the manufacturing and the final product.

Mr Leslie Dan, *president* of Novopharm, said that there were several ways of making ranitidine. Novopharm's was different from that used by Glaxo and "we checked out that there was no production of Form 2", he said.

Novopharm filed its application with the FDA on June 10. If Glaxo takes legal action within 45 days of that date, the launch of the drug can be delayed for 30 months.

Mr Dan said Novopharm and Glaxo lawyers were in talks. He would not comment on whether Novopharm had devised or would manufacture *the Form 1 version.*

Novopharm is still awaiting the outcome of court action surrounding Form 2's patent. One of the company's arguments was that Form 1 could not be made without producing Form 2, which therefore should not have separate patents.

Cautious steps in a new direction

Andrew Hill outlines Cariplo's plans to come to the stock market

Cariplo, Italy's contender for the title of the world's largest savings bank, looks the part. Its headquarters is one of the most imposing *buildings in* central Milan and its chairman, Mr Sandro Molinari, is of equally solid construction.

This is just as well, because from July 11, Cariplo is hoping that investors will stump up as much as L1,650bn ($1bn) for new shares in the bank, taking it on to the stock market for the first time since its foundation in 1823.

However, Mr Molinari, who launches a European invest*ment roadshow to promote* the issue this Thursday, knows he will need to offer more than a firm handshake and a century and a half of history to get *potential investors to open* their cheque books.

He took over as chairman in April after his predecessor stepped down facing corruption charges. That allowed Mr Molinari, 61, to become the first fully-fledged banker-chairman of the Milan-based group. He joined Cariplo in 1954 and rose through the ranks. All his predecessors and their deputies were political appointees, mainly Christian Democrats.

What is more, Mr Molinari knows that if his sales pitch falls flat this time, it will be particularly difficult to push through the sale of a second *tranche of shares,* in the form of a convertible bond issue expected before the end of this year.

Cariplo is the latest bank to take advantage of 1990 legislation which allows public-sector banks – many owned by charitable foundations – to restructure and float up to 49 per cent of the capital of their banking operations. The two-stage issue should raise well over L2,500bn and reduce the Cariplo foundation's stake in the bank to about 78 per cent.

With total assets of L150,893bn, and deposits of L122,536bn, the Cariplo group *is bigger than the next five big*gest Italian savings banks put together. But analysts stress that it is a high-quality bank. In the fast-changing Italian banking field it can no longer be compared only with small savings banks, they say, but counts as a full-service universal bank, competing with, for example, the newly privatised Banca Commerciale Italiana and Credito Italiano.

Geographically, Cariplo – short for Cassa di Risparmio delle Provincie Lombarde – is dependent on the wealthy Lombardy region, which accounts for some 70 per cent of the bank's 700 or so branches. But it has taken advantage of its knowledge of the savings bank sector to build strategic alliances with its counterparts in other regions.

By buying minority stakes in about 15 savings banks throughout the country, Cariplo has gained access to a further 700 branches. Through these it can sell its insurance, fund management and mortgage products nationwide. The group has bought a stake in Imi, the recently privatised financial services group, raising expectations that the two companies might link up in due course to offer home-grown competition to Mediobanca, the powerful Milan merchant bank.

For now, analysts prefer to compare Cariplo with conservative counterparts such as Lloyds Bank in the UK – which has also concentrated on retail business, and links between banking and insurance – or Crédit Agricole in France, *which has a similar* mix of businesses.

They underline Cariplo's cautious lending policy. The Milan bank was one of the first into the Italian personal loan market, picking its risks very carefully, while certain competitors launched themselves into business lending with abandon, and are over-exposed to big, bad corporate loans. Although unknown on international equity markets, Cariplo is recognised outside Italy as an issuer of high-quality debt, and has one of the best credit ratings among Italian banks, *equal to that of the* Italian republic.

"We never looked for results at all costs, but gradual growth," says Mr Molinari, about the strategy he has supervised since 1983 as deputy chief executive, chief executive and chairman. It is a strategy, which has brought results – group net profit last year rose 4.2 per cent to L323bn – and the admiration of analysts for the straight-forward approach. "They're very plain vanilla about their market," says one.

The bank is clearly upset, therefore, that its plain *vanilla attitude should* have got mixed up with the rather more exotic flavours of Italy's widespread corruption scandals. Mr Roberto Mazzotta, Mr Molinari's predecessor, stepped down in February after Milan magistrates deepened their investigation into allegations of phoney property transactions involving the Cariplo pension fund. He has suspended himself from chairmanship of the bank's control*ling foundation,* and is awaiting a decision on whether he will stand trial.

His successor firmly rejects any suggestion that the affair will have knock-on effects on the bank or the fund. It is a personal, rather than corporate problem, says Mr Molinari. Moreover, he points out that Cariplo's internal investigation, aided by outside experts, produced no evidence that procedures for valuing property had been infringed, or that the bank or pension fund had suffered any damage.

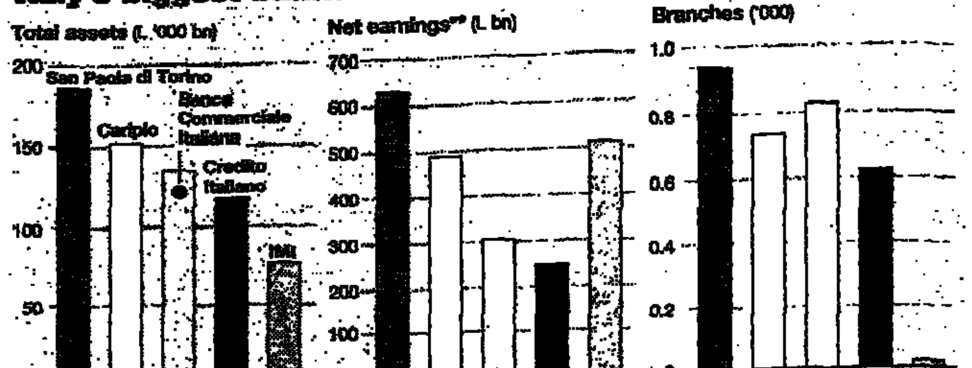
As for the legacy of political control, Mr Molinari is adamant that "the structure of the bank and the staff of the bank were never politicised". To underline his desire that the bank should remain apolitical, the new chairman has rebuffed Mr Umberto Bossi, the strident northern politician, who has suggested that his federalist Northern League could now step into the shoes of the Christian Democrats and adopt Cariplo as the pet financial institution of a more autonomous northern Italy.

In theory, the League could achieve this ambition, if it were to consolidate political power in its northern heartland, because directors of Cariplo's controlling foundation are appointed by local and regional Lombard authorities. These rules used to allow local parties to reward the faithful with boardroom seats, and direct the foundation's statutory charitable contributions towards clubs and associations with party links.

In practice, the League's support is wavering in the north, and in any case, local authorities have tended in recent years to nominate neutral directors, such as professors.

*If that means a Cariplo chair*man is free to manage the bank, then Mr Molinari's satisfaction at rising from branch level to the top job will be complete.

Italy's biggest banks*



Source: 1993 annual reports * Consolidated figures 1993 **Adjusted for transfers to tax reserves for comparison

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 21.06.94 — Pool purchase price £/MWh	Final Prices for Trading on 24.05.94 — Pool purchase price £/MWh	Pool selling price £/MWh
0030	17.63	10.90	10.90
0100	11.95	10.90	10.90
0130	11.95	10.97	10.97
0200	11.95	12.72	16.45
0230	11.95	13.06	16.79
0300	11.95	11.00	11.00
0330	11.96	10.90	10.90
0400	11.95	10.90	10.90
0430	11.95	10.90	10.90
0500	11.95	10.90	10.90
0530	10.60	11.00	11.00
0600	10.50	11.65	11.65
0630	10.70	11.73	11.73
0700	24.48	16.08	16.80
0730	24.48	22.94	26.67
0800	24.67	24.69	26.42
0830	24.55	25.56	29.31
0900	24.84	36.34	39.10
0930	24.97	35.37	39.15
1000	25.13	35.38	39.16
1030	25.34	35.35	39.12
1100	25.65	25.62	29.38
1130	26.12	25.61	29.37
1200	31.32	25.61	29.36
1230	31.78	25.59	29.34
1300	31.39	24.72	28.46
1330	30.51	24.22	27.96
1400	29.73	24.21	27.94
1430	28.59	23.37	27.10
1500	25.09	23.37	27.10
1530	26.08	23.37	27.10
1600	25.24	23.38	27.11
1630	38.03	24.22	27.95
1700	38.15	36.81	40.54
1730	37.88	36.80	40.53
1800	37.46	36.79	40.52
1830	24.69	23.37	27.09
1900	24.48	22.94	26.67
1930	23.61	22.82	26.84
2000	23.57	20.51	24.24
2030	22.50	17.10	20.83
2100	36.62	20.51	24.24
2130	38.62	35.00	38.73
2200	36.62	35.00	38.73
2230	36.62	26.22	29.94
2300	22.50	26.22	29.94
2330	20.62	17.10	20.83
2400	17.61	15.08	16.80

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £18.88/MWh becomes 1.888p/kWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements, which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone [illegible] between 8:30am and 5:15pm Monday to Friday.
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High-speed steels group rolls toward flotation

Kenneth Gooding examines Eramet's plan for a year to remember

Yves Rambaud: hopes for Paris bourse listing before end of 1994

This is a year to remember for Eramet, the French group which is the world's biggest producer of both ferro-nickel and high-speed steels.

It has just put the finishing touches to a FFr2bn ($360m), five-year investment programme and Mr Yves Rambaud, chairman and chief executive, says that, as long as there is no collapse in share prices, Eramet will be listed on the Paris bourse before the end of 1994.

A meeting on June 15 made the changes necessary to permit Eramet's shareholders – ERAP, the French state holding company, with 70 per cent, Elf Aquitaine of France and IMetal, the Paris-based industrial holding company, with 15 per cent each – to reduce their holdings.

Eramet has embarked on a series of roadshows and Mr Rambaud says he expects the first tranche, of up to 20 per cent the group, to be placed privately with European institutional investors.

Banque Paribas has been retained for this exercise which he hopes will be followed by full flotation in Paris. This would involve the present shareholders selling at least another 10 per cent of Eramet to the public.

However, ERAP will still retain majority control of Eramet. This, says Mr Rambaud, is to give comfort to the 2,000 people Eramet employs in New Caledonia, the South Pacific island which contains the heart of Eramet's nickel operations.

"The French government does not wish to give the impression it is ready to desert them," he says. In all, the group employs 3,400.

Dominating New Caledonia's economy is SLN (Société Metallurgique Le Nickel), 82 per cent owned by Eramet. SLN dates back to 1880 and owns nickel mines and a smelter on New Caledonia. Its new FFr800m Népoin-Kopé mine was formally opened last month . While the mine was being developed, annual capacity at SLN's smelter at Doniambo was boosted to 50,000 tonnes. Mr Rambaud says that by spending modestly to remove bottlenecks, its capacity could rise by 2,000 tonnes to 60,000 tonnes

Last year Eramet, ranked third among the world's nickel (as distinct from ferro-nickel) producers with 8 to 10 per cent of the market, lifted output from a depressed 40,750 tonnes to 46,310 tonnes. This year's output should be between 48,000 and 50,000 tonnes.

A long-term relationship between SLN and Nisshin Steel has recently been strengthened at the Japanese company's request. By October Nisshin will have paid about FFr400m for 10 per cent of SLN and for a contract guaranteeing Nisshin 10 per cent of SLN's output at a fixed price.

Mr Rambaud points out, however, that, although the Nisshin deal apparently indicates a value of FFr4bn for SLN, the supply contract confuses the arithmetic.

Nickel operations contributed 68 per cent of Eramet's total sales of FFr2.63bn last year. World demand for nickel has been growing at more than 2 per cent a year, driven mainly by its use in stainless steel – a material for which annual demand is growing by 4.3 per cent.

Stainless takes 62 per cent of all the nickel produced but accounts for 80 per cent of Eramet's output. Despite consistent demand, nickel prices last year were the lowest for 20 years (with the exception of 1987) because the market was distorted by a sudden surge in Russian exports to the west, up from 40,000 tonnes a year in Soviet days to 120,000 tonnes.

Eramet's sudden emergence as the world's biggest producer of high-speed steels – which have a value four times as great as stainless steel – dates back to decisions in 1989 when, like other producers, it benefited from extraordinarily high nickel prices.

The group decided to invest part of the proceeds in the New Caledonia expansion and modernisation programme while beginning a search for a "second leg" or a logical industrial and geographic diversification. First it bought Commentryene in France in 1991 and quickly merged it with Kloster Speedsteel of Sweden. The total cost was FFr900m.

Mr Rambaud says Eramet found that the French and Swedes can work well together.

The high-speed steels business has prospered under new ownership and a unified international marketing team is doing better than when Kloster and Commentryene were in competition separately.

The steel operations use no nickel to make their metal – employed for such things as high-speed cutting tools. Eramet wanted to make sure it did not compete with its customers, says Mr Rambaud.

Last year Eramet was one of the few nickel or steel groups to remain profitable, if only just. It made net profits of FFr120m, down from FFr229m in 1992 when there was an extraordinary gain of FFr100m.

More important, in Mr Rambaud's view, is that Eramet's cash flow remained stable last year at FFr356m. The group's balance sheet remains strong, with cash and near-cash of FFr1.3bn, compared with financial debts of FFr635m.

As the expansion programme has been completed, capital expenditure will come down from last year's FFr531m (following a record FFr614m in 1992) to about FFr300m in 1994 and even less next year.

Mr Rambaud says the nickel operations are in good shape – the group has at least 40 years of reserves in New Caledonia and costs were reduced last year by 15 per cent to 1980 levels in real terms.

Eramet last year could break even with the nickel price at $2.78 to $2.80 a lb when the London Metal Exchange price averaged $2.40.

Eramet is likely to use its cash to add a third industrial "leg". Like the high-speed steel operations, this will have to have technology and customers with which the group's management are familiar but does not compete with Eramet's present customers.

Mr Rambaud says that no list of likely candidates has yet been drawn up. He explains: "Our first priority is to arrange a smooth change in Eramet's shareholders."

Banca del Gottardo in rights issue

By Ian Rodger in Zurich

Banca del Gottardo, the Lugano-based bank specialising in asset management, is planning to raise new capital through a rights issue of 100,000 participation certificates.

Gottardo also said it was in talks with Sumitomo Bank of Japan, which holds a controlling interest in the bank, about its wish to convert all its participation certificates into bearer shares in 1996.

Conversion would mean that Sumitomo would have to make an additional investment in Gottardo equity or see its holding diluted to under 50 per cent.

Sumitomo holds 55 per cent of Gottardo's voting bearer shares and 12.4 per cent of the non-voting participation certificates. This represents 44 per cent of the bank's total equity capital.

IBM unveils large disk drive products

By Alan Cane

International Business Machines yesterday announced a family of innovative, large-scale computer memories which it hopes will regain it the initiative in the big disk drive business.

The world's largest computer manufacturer invented disk storage more than 30 years ago but its revenues from storage systems have been declining, although it is still the dominant supplier. It is also facing fierce competition.

IBM's latest storage systems are designed for mainframe computers and feature high security and protection against failure. Called the Ramac Array Family, they use a technology called Raid (redundant arrays of inexpensive disks). IBM claims the drives are the first high-end disk storage systems coupling high performance with fault tolerance.

A Raid system is a set of small low-cost drives which appears to the user as if it were a single, expensive drive. The IBM drives have been developed to the highest level of performance and reliability, known as Level 5. According to IBM, the new drives take up only one-third the floor space and use half the power and cooling of conventional mainframe disk storage.

The technology involved in Raid drives, while simple in principle, is complex in practice. Storage Technology has only just launched its own Raid system code-named Iceberg after several years of delayed development.

"While other storage vendors have sought to develop systems aimed at high availability or high performance, we have taken the lead in providing what our customers need by providing both," said Mr Bill Nelson, director of marketing in IBM's storage systems division.

Domos forms alliance in Mexico telecoms race

By Damian Fraser in Mexico City

Grupo Domos, the private Mexican telecommunications company, plans to apply for a long-distance telephone licence in Mexico as part of an alliance with Grupo Financiero Serfin, Mexico's third largest bank, and a large international telephone carrier. Domos last week agreed to purchase 49 per cent of Cuba's national telephone company.

Bell South already has an alliance with Domos, and it may be the international carrier with which Domos is now negotiating.

Domos and its partners plan to form a new subsidiary which will invest more than $4bn in Mexico's telecommunications sector, Mr Javier Garza Calderon, company chairman, told the Mexican news service Infosel. Apart from applying for a long-distance telephone licence in Mexico, the company is considering investing in a basic wireless telephone system in the country, in mobile telecommunications, value-added services, and in subscription television.

Mexico will open up its long-distance telephone market – currently controlled by Teléfonos de Mexico, the national telephone carrier – to competition from August 1996. So far, Banamex with MCI, Iusacell with Bell Atlantic, and Grupo Alfa have expressed interest in applying for a licence.

Bancomer, the second largest bank, is reported to be looking for a foreign partner before declaring its interest.

Although Domos has plenty of money, having recently sold its cellular interests in the north of Mexico to Motorola, the US company, its ambitious investment plans will almost certainly need a substantial injection of new capital.

Domos is controlled by Mr Garza Calderon, a member of the extremely wealthy Garza family in Monterrey and a director of Serfin. In the 1980s, Mr Garza Calderon's father unsuccessfully sought to seize control of Grupo Visa, one of Mexico's largest conglomerates, from his cousin, Eugenio Garza Laguera, in a family squabble that turned into a bitter takeover battle.

Last week, Domos agreed to pay some $1.5bn over several year years for 49 per cent of Emtel-Cuba. The investment includes the cost of expanding and modernising the island's dilapidated telephone network. Domos is looking for a foreign partner in Cuba to provide telecommunications technology.

Comcast to pay $1.27bn for Maclean Hunter unit

By Patrick Harverson in New York

Comcast, the US telecommunications group, has agreed to buy the cable television operations of Maclean Hunter, the Canadian communications and media group, for $1.27bn in cash.

The acquisition is the latest big deal in the consolidation of the US cable TV market, which is becoming rapidly dominated by a few large operators. Two weeks ago, Atlanta-based Cox Enterprises paid $2.3bn for Times Mirror's cable TV unit.

Comcast is buying the cable interests of Maclean Hunter, which include services and operations for about 550,000 subscribers in New Jersey, Michigan and Florida, from Maclean Hunter's parent, Rogers Communications, Canada's largest cable TV group.

Rogers bought Maclean Hunter three months ago for $2.2bn. Rogers said then it would sell Maclean Hunter's US cable operations.

The purchase will make Comcast the third largest cable TV operator in the US with 3.5m subscribers, behind TCI, which has 10m subscribers, and Time Warner, with 7m. Comcast also provides cellular telephone services to more than 7.4m people.

Mr Brian Roberts, president of Comcast, said: "For some time, we have considered Maclean Hunter's systems to be a logical strategic extension of Comcast's cable business. The acquisition allows us to increase our presence in three of the top 15 television markets."

Comcast's purchase, however, has several regulatory hurdles to overcome. Not only is the deal subject to US government approval, but Rogers' acquisition of Maclean Hunter is also awaiting approval in Canada, where the federal Radio-television and Telecommunications Commission and the Bureau of Competition are likely to scrutinise the merger between the country's two largest cable TV operators.

Krupp Hoesch breaks up steel side

By Michael Lindemann in Bonn

Krupp Hoesch, Germany's second biggest steelmaker, has broken its steel division into several independent companies in a further effort to push the business back into profit.

The decision was approved at an extraordinary meeting of the supervisory board on Sunday, in spite of protests by the IG Metall union. It is angry that workers will have less say in the running of the business.

Three new companies will be created for special steel flat products, special heavy sections, and long products. A fourth unit – tin plate – will become a joint venture run by Thyssen, Germany's biggest steelmaker.

Ostensibly, the changes fit the strategy outlined by Mr Gerhard Cromme, chief executive, who has repeatedly argued that separate companies were needed to manage the various steel products, because their market conditions were so different.

However, sources said the changes would also make further jobs cuts easier, as the independent companies would no longer be subject to the rules of *Montanmitbestimmung*, a form of workers' co-determination in the German coal and steel industry. The system is seen as an obstacle to faster restructuring of the industry.

Managers at the independent companies have already indicated they will need far fewer staff to service overheads. This means that up to 1,000 of the 3,600 people working in administration at the existing steel division will lose their jobs.

Management is also likely to be more effective. "Each company will have to meet their own costs," said Mr Jürgen Claasen, the Krupp Hoesch spokesman. "In the past, everything in the steel division went into one big pot and it was difficult to tell what was working well and what was not."

Krupp first mounted an unusually secretive bid to take over Hoesch, its long-standing rival, in 1992. The dust had hardly settled on that acrimonious merger when it was decided to close the integrated steelworks at Rheinhausen, prompting massive union protests and further job cuts.

The going is still tough in spite of the overhaul. The steel division is one of six divisions within the Krupp Hoesch group, representing about 35 per cent of external sales. However, the DM780m ($481.5m) loss it reported last year was its biggest, and it is expected to incur another deficit this year.

Diluting workers' rights is likely to make life easier for management. The extensive workers' rights which exist in the German steel industry is the main reason why Riva, the private Italian group, pulled out of its planned purchase of Eko Stahl, the ailing east German steelmaker.

The law says *Montanmitbestimmung* can only exist in companies whose primary purpose is to make steel. It, therefore, does not apply to companies who are merely "processing" steel, as Mr Claasen puts it.

IG Metall, however, says its lawyers are checking the decision with a view to taking the company to court. It argues that workers' co-determination must be guaranteed in companies which operate any form of warm production or rolling mills.

● The German steel federation said yesterday steel production in the first six months of 1994 had risen 9 per cent above the that for same period the year before. Orders were up 13 per cent.

However, it warned that much of the new steel was being used to fill stockpiles, or was being exported. It said steel consumption in the all-important German market – which accounts for about 60 per cent of production – had risen just 1.5 per cent in the first six months.

Smart card details agreed

By Alison Smith

Three leading international payment card organisations yesterday agreed the first of three sets of common technical specifications for "chip" or "smart" cards.

The payments groups – Europay international, Mastercard International and Visa International – plan to agree full specifications before the end of the year.

The move marks a further step towards the introduction of chip cards that can operate across borders and systems. It enables manufacturers to begin work on developing microprocessor chips in payment cards.

The agreement announced yesterday covers the electrical and mechanical specifications for making chip cards and for point-of-sale terminals.

The second part will define how the chip card and the terminal will together deliver the services to the cardholder, while the last phase should deal with how a transaction would be completed.

The initiative stems from the three organisations' decision last December to work together to develop global standards for chip cards.

Separately, Visa has agreed with a number of bank-led groups to try to devise common international standards for "electronic purse" cards – payment cards which could replace small-value cash transactions.

Repola back in black with FM737m

By Hugh Carnegy in Stockholm

Repola, Finland's largest industrial group, swung to a pre-tax profit of FM737m ($135.7m) in the four months to end of April from a loss (restated) of FM13m in the same period in 1993. The result consolidates a recovery that took hold last year.

The improvement stemmed in part from a fall in financial expenses, to FM441m from FM851m, as interest charges tumbled.

Repola, whose operations include forestry, forestry machines and other associated production, said reduced financial expenses would help drive a considerable improvement in full-year profits from last year's pre-tax figure of FM29m. Repola restated its 1993 figures to reflect accounting changes made to conform with EU directives.

Group sales were barely changed in the first four months at FM9.16bn, compared with FM9.14bn last time.

Turnover was held back by a strengthening of the Finnish markka this year, and restructuring moves in 1993. Overseas operations accounted for 86 per cent of sales.

Operating profit, however, was well ahead, reaching FM1.1bn against FM838m.

Much of this was attributed to unexpectedly better profits at United Paper Mills, the forestry unit. UPM sales were up 4 per cent at FM6.12bn, but operating profit moved up more sharply, to FM906m from FM756m.

Repola said although economic recovery in Europe was strengthening demand for paper, prices were still restrained by oversupply. Meanwhile, manufacturers would face rising raw material costs for paper and sawn timber production towards the end of the year.

Forestry group makes turnround

By Hugh Carnegy

Kymmene, the Finnish forestry group, returned a FM176m ($32.5m) profit after financial items in the four months to the end of April, a sharp turnround from a FM164m loss (restated) made in the same period last year.

The improvement was partly due to lower financial expenses stemming from reduced interest charges. Net financial expenses fell to FM460m from FM657m.

Sales moved up to FM5.94bn from FM5.64bn, while group operating profit reached FM604m, compared with FM491m last time.

The figures for last year were restated to conform with a shift to European Union-based accounting principles.

Kymmene said markets for forest products had "clearly improved" during the first four months, with prices increasing for fine papers and chemical pulp.

It added that it expected improvements in earnings in chemical pulp, panels and sawn timber by the year end.

The company said operating profits for the full year would be ahead of last year's FM1.58bn surplus.

Kymmene spent FM295m on capital projects during the first four months and expected capital investment in production facilities to reach FM1.3bn for the year as a whole.

The projects include two oxygen bleaching plants, an expansion of plywood output, the rebuilding of a paper mill and anti-air pollution projects at two chemical pulp mills.

VNU acquires results service

VNU, the Netherlands-based publishing group, has bought Institutional Brokers Estimate System from Citicorp for an undisclosed amount, agencies report. It said IBES was the world's largest and best-known supplier of corporate earnings estimates, covering companies in 42 countries.

VNU said the acquisition, made through its US unit Disclosure, was an important step in its strategy to increase the added value of its financial data products.

LONDON STOCK EXCHANGE DEALINGS

THE INFORMATION shown on this page, which appears every Saturday, is supplied to the Financial Times by the London Stock Exchange.

Stocks shown are selected by the Stock Exchange from among those companies and securities whose prices do not appear in our daily London Share Service.

The Saturday selection changes frequently, according to the volume of trading in individual stocks registered by the Stock Exchange during the week ending on each Thursday. Thus if no dealing takes place in a stock, it will not be included in the following Saturday Dealings page.

SGA SOCIETE GENERALE ACCEPTANCE N.V. FRF 300,000,000 FLOATING RATES DIFFERENTIAL NOTES DUE DECEMBER, 1995

Notice is hereby given to the Noteholders that, pursuant to the Terms and Conditions of the Notes, the rate of interest applicable to the period from March 18, 1994 (included) to June 20, 1994 (excluded) is 8,40670521%. This rate of interest has been determinated according to the formula provided for in Condition 4. "Interest" b) (i), i.e. "10.25 % + (3 month USD LIBOR * (Final Spot/4.9435)- 3 month PIBOR)". Therefor, the interest payable on June 20, 1994 against surrender of coupon nr 6 is: FRF 2195,08 per Note in the denomination of FRF100,000; FRF 21950,84 per Note in the denomination of FRF 1,000,000

THE PRINCIPAL PAYING AGENT SOGENAL SOCIETE GENERALE GROUP 15, Avenue Emile Reuter LUXEMBOURG

RHONE-POULENC S.A. USD 300.000.000 UNDATED FLOATING RATE CAPITAL NOTES

For the period June 20, 1994 to December 20, 1994 the new rate has been fixed at 5,5156 % P.A. Next payment date: December 20, 1994 Coupon nr: 16 Amount: USD 280,38 for the denomination of USD 10 000; USD 2803,76 for the denomination of USD 100 000

THE PRINCIPAL PAYING AGENT SOGENAL SOCIETE GENERALE GROUP 15, Avenue Emile Reuter LUXEMBOURG

CREDIT LYONNAIS USD 500,000,000.- FRN Undated

Bondholders are hereby informed that the rate for the Coupon N° 12 has been fixed at 5.5625 %, for the period starting on 20/06/1994 until 18/09/1994, inclusive, (representing a period of 91 days). The coupon will be payable on 19/09/1994 at a price of USD 140.61.

The Principal and Paying Agent

CREDIT LYONNAIS

SGA SOCIETE GENERALE ACCEPTANCE N.V. FRF 300.000.000 REVERSE FLOATING RATE NOTES DUE DECEMBER 1999

For the period June 17, 1994 to September 19, 1994 the new rate has been fixed at 12 % P.A. Next payment date: September 19, 1994 Coupon nr: 6 Amount: FRF 3133,33 for the denomination of FRF 100 000; FRF 31333,33 for the denomination of FRF 1 000 000

THE PRINCIPAL PAYING AGENT SOGENAL SOCIETE GENERALE GROUP 15, Avenue Emile Reuter LUXEMBOURG

N&P £150,000,000 Floating Rate Notes due 1997

In accordance with the provisions of the Notes, notice is hereby given that the Rate of Interest for the three month period ending 19th September, 1994 has been fixed at 5.34375% per annum. The interest accruing for such three month period will be £137.62 per £10,000 Bearer Note, and £1,376.20 per £100,000 Bearer Note, on 19th September, 1994 against presentation of Coupon No. 8.

Union Bank of Switzerland London Branch Agent Bank

17th June, 1994

£135,000,000

THE LEEDS

Leeds Permanent Building Society

Floating Rate Notes Due 1998

Interest Rate	5⁵⁄₁₆% per annum
Interest Period	16th June 1994 16th September 1994
Interest Amount due 16th September 1994 per £10,000 Note	£133.90

CS FIRST BOSTON Agent

£200,000,000 MFC Finance No. 1 PLC

NOTICE OF REDEMPTION

Series 'A' to 'F' Mortgage Backed Floating Rate Notes Due October 2023

Notice is hereby given, that in accordance with Conditions 5(c) of the Prospectus dated 13th October 1988, the Issuer intends to redeem £1,800,000 in aggregate value of the Notes on the respective July 1994 interest payment dates.

By: Citibank, N.A. (Issuer Services) June 21, 1994, London

CITIBANK

THE STARS PROGRAMME STARS 1 PLC

£475,000,000 Class A Floating Rate Mortgage Backed Securities 2029

Notice is hereby given that the Principal outstanding on the subject issue for the interest period June 27, 1994 to September 27, 1994 will be £264,021,355.

The Principal amount outstanding for each note is £9,169.00.

June 21, 1994, London
By: Citibank, N.A. (Issuer Services), Agent Bank

CITIBANK

NOTICE OF PAYMENT
To the Holders of

Nafin Finance Trust II

U.S.$129,880,000
Floating Rate Notes due 1999

For the Interest Period March 31, 1994 to June 30, 1994, the Total Repayment Amount of the Notes is USD14,490,000 or 13.325363% of the current outstanding principal amount. Principal in the amount of USD1,332.54 per USD10,000 aggregate principal amount of Notes will be payable on June 30, 1994. After June 30, 1994, interest on the portion of the Notes so repaid will cease to accrue. Holders of Bearer Notes must deliver the appropriate interest coupon to a Paying Agent outside of the United States to receive repayment on such Notes.

NAFIN FINANCE TRUST II

By: Bankers Trust Company, *as Trustee*

Dated: June 21, 1994

Advance Bank Australia Limited

US$250,000,000
Floating Rate Notes 1999

The notes will bear interest at 4.9125% per annum for the interest period from 21 June 1994 to 21 September 1994. Interest payable value 21 September 1994 will amount to US$125.54 per US$10,000 note.

Agent: Morgan Guaranty Trust Company

JPMorgan

Shimuzu International Finance (USA), Inc

Yen 5,000,000,000

Tranche A Floating Rate Notes Due 1996

In accordance with the provisions of the Notes, notice is hereby given that the Rate of Interest for the three month period ending 22nd September, 1994 has been fixed at 2.5375% per annum. The interest accruing for such three month period will be Yen 6,484,722 per one Billion Note on 22nd September, 1994 against presentation of Coupon No. 8.

Union Bank of Switzerland London Branch Agent Bank

20th June, 1994

Goodman Fielder predicts long-term margins growth

By Nikki Tait in Sydney

Goodman Fielder, the large but ailing Australian foods group, should achieve "long-term margins on sales of 9 to 10 per cent, across the business," Mr Barry Weir, chief executive told shareholders.

In a letter to investors, made public yesterday, Mr Weir said the target had not been achieved. In the half-year to end-December, for example, GF recorded sales revenues of A$1.94bn (US$1.49bn), and profits before interest and tax from continuing operations of A$130.3m for a group margin of about 6.9 per cent.

But Mr Weir, who took over as chief executive six months ago, rejected the notion there was a quick solution. He added that the problem could not be solved simply by the "straightforward cutting away and disposal of one or two of our major business groups.

"Our closer analysis shows it is primarily a few specific geographic or product segments within each major group which drag down overall performance," he said.

Mr Weir acknowledged that many industry observers saw GF as a commodity-based food group – with products such as flour, bread, gelatine and poultry, placing it at the competitive, lower value-added end of the industry.

Therefore he acknowledged that making higher margins was more difficult to achieve.

Mr Weir argued that the group needed to use "innovative branding and marketing" as well as concentrating on low-cost production, if it is to move towards its target margins.

He outlined a four-point plan including:

- Further "non-core assets disposals," although Mr Weir claims the bulk of this process is complete;
- Organisational restructuring, including integration of milling and baking operations and moves to improve efficiency on the poultry side;
- Encouraging industry rationalisation in particularly competitive areas, such as baking;
- Targeting Asia for long-term expansionary growth. Existing Asian businesses will be brought under a single regional office, and several new ventures are being "evaluated".

More generally, he added, Goodman was still looking for "bolt-on" acquisitions.

Mr Weir's letter follows a series of management departures from the food group over the past year.

There has also been talk of large disposals or a takeover of the underperforming group, but to date no suitors have emerged.

Goodman shares stood at A$1.36, just cents off their 52-week low.

Australian directors face share register call

The Securities Institute of Australia, representing professionals working in the nation's securities industry, has called on the Australian Stock Exchange to set up a register of directors' shareholdings "so that the market can publicly track the stockmarket dealings of company directors".

Directors of Australian companies are now required only to notify the company involved if they buy or sell its shares, and there is no formal requirement for them to tell the stockmarket generally.

The SIA is proposing that Australia follows the US model and places a legal obligation on directors to notify the stock exchange of any share dealings.

The proposal is the latest in a series of moves by local fund-managers, the ASX, and other market professionals, aimed at improving the corporate governance and disclosure standards of the Australian market.

- Mr Kerry Packer's Sky Channel has signed an agreement with the Australian Jockey Club, allowing the former to beam Australian horse racing into Nevada casinos from next month.

Mr David Dodds, Sky's managing director, said there will be a 90-day trial of the satellite broadcasts, and linked betting operations. Racing in the US ends in the early evening and the notion is that, because of the time difference, Australian races could take over.

Norsk Hydro's chemical interest to double output

By Karen Fossli in Oslo

Norsk Hydro, Norway's largest publicly quoted company, said yesterday Qatar Fertilizer Company (Qafco), in which it holds a 25 per cent stake, is planning to spend about $500m to nearly double capacity for ammonia and urea production in Qatar.

Hydro and Qatar General Petroleum Company (QGPC), which holds the remaining 75 per cent of Qafco, are to expand annual ammonia production capacity to 1.3m tons from 750,000 tons and urea capacity to 1.55m tons from 820,000 tons.

The Oslo-based company said it had agreed to become project manager for the expansion project.

Hydro said that a technical assistance agreement with Qafco had also been extended for a 10-year period.

Qafco and Hydro also signed a 10-year marketing agreement, giving Hydro marketing rights for ammonia and urea in China and East Africa where the Norwegians are upgrading their sales and distribution network to meet increasing demand.

"This expansion and related agreements combine QGPC's policy of increased industrial development of Qatar's vast natural gas resources with Hydro's requirement for a reliable product source destined for the growing fertiliser markets in *China and Africa*," Norsk Hydro said.

- Norsk Hydro said its NKr4.74bn rights issue was oversubscribed, but it did not yet know by how much, Reuters reports from Oslo.

"There is a clear oversubscription. This we can say already," financial director Mr Georg Stoermer told the agency.

The issue totals NKr23.68m ordinary shares at a price of NKr200 per share. The subscription period in Norway was set from June 3-17.

Competition breaks up Nordic banking co-operation venture

By Hugh Carnegy in Stockholm

Increasing cross-border competition within Nordic banking has led four of the region's top banks to break up a 10-year-old co-operation deal.

The four – Unibank of Denmark, Union Bank of Finland, Den norske Bank of Norway and Sweden's Skandinaviska Enskilda Banken – had handled each other's interests in their respective markets under a venture called Scandinavian Banking Partners.

At the height of the accord, they opened a joint venture in London called the Scandinavian Banking Group, but this was bought out by SE-Banken in 1990 and merged with its existing London operation. Since then, the partnership has been slimmed down to focus on a small range of business areas.

SE-Banken's move to open its own branches in Oslo and Helsinki, part of an increasing trend among Nordic banks to move into neighbouring markets, precipitated the decision finally to disband the partnership.

SE-Banken said no financial settlement was involved in the decision.

Kvaerner profit up 36% despite weak oil unit

By Karen Fossli

Kvaerner, Norway's second largest stock market listed company, has increased pre-tax profits by 36 per cent to NKr590m ($84.2m) in the first four months of 1994 against the same period a year earlier.

The performance was aided by an upturn in unrealised foreign exchange gains which almost doubled to NKr133m.

Operating revenue rose by 11 per cent to NKr8.7bn while operating profit increased by 10 per cent to NKr399m.

But the results fell short of analysts' expectations of NKr500m.

Mr Erik Toenseth, president, predicted that profits for this year as a whole, before unrealised currency items, would be on a par with last year's NKr1.5bn.

The shipbuilding division lifted pre-tax profits to NKr406m from NKr246m on turnover of NKr3.63bn, against NKr2.56bn.

The oil and gas division saw pre-tax profits more than halved to NKr57m from NKr135 on revenues up to NKr2.47bn from NKr2.33bn.

The oil and gas division made an operating loss of NKr3m after a profit of NKr116m last time, and is expected to post a weak overall result. Kvaerner warned that the division was suffering losses on the Norwegian North Sea Troll oil project.

The mechanical engineering division turned in a pre-tax profit of NKr16m, against a loss of NKr33m, on sales which rose to Nkr1.62bn from NKr1.5bn.

Pre-tax profits of the pulping division tumbled to NKr25m from NKr53. The shipping side lifted pre-tax profits to NKr95m from NKr21m on revenues which increased to NKr395m from NKr337m.

Saudi Hollandi to double capital

By Mark Nicholson in Cairo

Saudi Hollandi Bank, the Riyadh-based joint-venture bank 40 per cent owned by ABN-Amro Bank, has won approval from the Saudi Arabian Monetary Authority to double its capital to SR420m ($113.5m), according to the official Saudi Press Agency.

The bank said it would issue 2.1m bonus shares to existing shareholders, paid for by the transfer of SR210m from reserves into the bank's capital.

Saudi Hollandi is set to become the last of Saudi Arabia's commercial banks to recapitalise since the end of the Gulf war – during which period most commercial banks have tapped a large influx of repatriated Saudi money in the local stock market to issue new shares.

Saudi Investment Bank, the Kingdom's smallest, last week announced its plan to double capital to SR180m through a bonus share issue.

Saudi Hollandi, which is completing a reorganisation and expansion, last year reported a 34 per cent rise in net profits at SR180m.

Total assets at the end of the 1993 financial year stood at SR15bn.

Mr Sheldon Boege, the bank's managing director, recently forecast a 10-12 per cent rise in earnings in 1994.

MHS expands aerospace side

Malaysian Helicopter Services (MHS) has bought 66.7 per cent of Aerospace Industries Malaysia for M$9.62m cash (US$3.8m), Reuter reports from Kuala Lumpur.

MHS said the AIM shares were bought from the national carrier, Malaysian Airline System and UMW, a unit of UMW Holdings.

AIM owns 51 per cent of Airod Sdn Bhd which overhauls military aircraft.

THIS NOTICE IS IMPORTANT AND REQUIRES THE IMMEDIATE ATTENTION OF HOLDERS OF SHARES AND OF SPARCS (as defined below). IF THEY ARE IN ANY DOUBT ABOUT THE ACTION THEY SHOULD TAKE, THEY SHOULD CONTACT THEIR PROFESSIONAL ADVISERS IMMEDIATELY.

SASIB

SASIB S.p.A. Registered office Via di Corticella, 87/89 - 40128 Bologna
Company Register: Bologna Tribunal reg. no. 30663 - C.C.I.A.A. no. 261457
Capital Stock Lire 125,311,277,000 fully paid-up, composed of 71,876,310 ordinary shares, 110,432 privileged shares and 53,324,535 non-convertible savings shares, all with par value of Lire 1,000 each

NOTICE

to the holders of the above shares and of those of the Lire 65,000,000,000 9¼ per cent. Small Premium Advantaged Return Converting Securities 1997 – SPARCS of SASIB International B.V. presently outstanding (the "SPARCS") of a

CAPITAL INCREASE BY SASIB S.p.A. FROM LIRE 125,311,277,000 UP TO A MAXIMUM OF LIRE 171,113,923,000 AND OF THEIR RIGHTS IN RELATION THERETO

Issue of ordinary and non-convertible savings shares with warrants exercisable into SASIB S.p.A. ordinary and non-convertible savings shares respectively

to be carried out by offering to existing holders of SASIB shares and holders of SPARCS:

- 11,997,790 SASIB new ordinary shares;
- 10,903,533 SASIB new non-convertible savings shares;
- 11,997,790 "SASIB Ordinary Warrants 1997", attached to the new ordinary shares;
- 10,903,533 "SASIB Savings Warrants 1997", attached to the new non-convertible savings shares.

On May 19, 1994, the Board of Directors of SASIB S.p.A., in exercise of the power given by the Shareholders' Meeting held on April 26, 1994, resolved to implement a capital increase to be carried out by means of:

- *issue of a maximum of 11,997,790 new ordinary shares*, par value Lire 1,000 and dividend rights accruing January 1, 1994, to be offered in option to holders of ordinary or privileged shares in a ratio of 1 new ordinary share for every 6 ordinary shares or 6 privileged shares held at a price between a minimum of Lire 7,000 (of which Lire 6,000 above par) and a maximum of Lire 11,000 (of which Lire 10,000 above par);
- issue of a maximum of 10,903,533 new non-convertible savings shares, par value Lire 1,000 and dividend rights accruing January 1, 1994, to be offered in option to holders of non-convertible savings shares in a ratio of 1 new non-convertible savings share for every 6 non-convertible savings shares held and to the holders of SPARCS in a ratio of 163 new non-convertible savings shares for each SPARCS of Lire 5,000,000 par value or 1,633 new non-convertible savings shares for each SPARCS of Lire 50,000,000 par value held at a price between a minimum of Lire 4,000 (of which Lire 3,000 above par) and a maximum of Lire 6,000 (of which Lire 5,000 above par);
- the subscription price of the new ordinary shares being determined immediately before the issue as the average of the market prices of the ordinary shares recorded in the three days prior to its determination, discounted by a maximum of 12 per cent., such price in any case being included between the above mentioned minimum and maximum prices;
- the subscription price of the new non-convertible savings shares being determined immediately before the issue as the average of the market prices of the non-convertible savings shares recorded in the three days prior to its determination, discounted by a maximum of 12 per cent., such price in any case being included between the above mentioned minimum and maximum prices.

The Board of Directors of SASIB S.p.A. has also resolved to implement an additional capital increase to be carried out by issuing:

- 11,997,790 new ordinary shares, par value Lire 1,000, to be reserved exclusively for the exercise of 11,997,790 "SASIB Ordinary Warrants 1997" attached to the new ordinary shares and giving the right to subscribe such shares in a ratio of one share for each warrant held;
- *10,903,533 new non-convertible savings shares, par value Lire 1,000, to be reserved* exclusively for the exercise of 10,903,533 "SASIB Savings Warrants 1997" attached to the new non-convertible savings shares and giving the right to subscribe such non-convertible savings shares in a ratio of one non-convertible savings share for each warrant held;
- the exercise prices of the warrants being determined by the Board of Directors at the same time as the subscription prices of the new ordinary and new non-convertible savings shares issued.

The warrants are exercisable at any time beginning with the day following their issue and until July 31, 1997 (both inclusive), provided that notice of exercise is given by June 30, 1997. The shares subscribed through the exercise of the warrants will accrue dividends from the same date as SASIB ordinary and non-convertible savings shares traded on the Italian automated quotation system ("Telematico") at the date of exercise of the warrants.

An application for the listing on the Telematico of "SASIB Ordinary Warrants 1997" and "SASIB Savings Warrants 1997" will be made.

The rights to new shares with warrants attached will be exercisable between June 16, 1994 and July 17, 1994, by presenting the coupon no. 19 to be detached from ordinary, privileged and non-convertible savings shares. Such coupon will represent option rights. Holders of SPARCS may sell or exercise their rights by following the procedures indicated in paragraphs 2) and 3) below. Holders of SPARCS who do not follow such procedures will not receive any compensation for any rights to which they may have been entitled. The rights will expire at the end of the subscription period. As agreed with the Italian Stock Exchange Council, the rights will be traded on the Telematico from June 16, 1994 to July 8, 1994.

Upon subscription, the full price for the shares inclusive of par value and paid-up surplus will be due for each of the shares subscribed. At the expiration of the mentioned term, unexercised rights will be auctioned on the Italian Stock Market pursuant to Article 2441 of the Italian Civil Code and the proceeds retained by SASIB S.p.A.

In the case of holders of shares, the subscription may be carried out through Monte Titoli S.p.A., for those shares administered by it, and through the following agents: Banca Commerciale Italiana, Banca Nazionale del Lavoro, Credito Italiano, Credito Romagnolo, Banca di Roma, Istituto Bancario S. Paolo di Torino, Monte dei Paschi di Siena, Banco di Sicilia, Cassa di Risparmio delle Provincie Lombarde, Banco di Napoli, Cassa di Risparmio di Torino, Banca Popolare di Novara, Banca d'America e d'Italia, Banca Nazionale dell'Agricoltura, Credito Commerciale, Banca Toscana, Banca Popolare di Sondrio, Banca Popolare dell'Emilia, or, in the case of a U.S. Person, through the U.S. Rights Agent each as defined below. All new shares and the warrants will be made available to subscribers at Monte Titoli S.p.A. The delivery of the certificates may be requested only through the agent who received the application.

The prospectus describing the capital increase and all other documents required by Consob's Rule no. 5553 of November 14, 1991 have been deposited at the Company's registrar office, Italian Stock Market Council, the agents and the Conversion Agents referred to in paragraph 3) below. *Copies may be obtained free of charge upon request.* The subscription price of the new ordinary and new non-convertible savings shares together with the exercise price of "SASIB Ordinary Warrants 1997" and "SASIB Savings Warrants 1997" are described below.

* * *

On June 13, 1994, the Board of Directors of SASIB S.p.A. determined the subscription price for new ordinary and new non-convertible savings shares, as well as the exercise price for "SASIB Ordinary Warrants 1997" and "SASIB Savings Warrants 1997", as follows:

- Lire 7,450, of which Lire 1,000 par value and Lire 6,450 paid-up surplus, for each of the 11,997,790 new ordinary shares;
- Lire 4,700, of which Lire 1,000 par value and Lire 3,700 paid-up surplus, for each of the 10,903,533 new non-convertible savings shares,
- Lire 8,940, of which Lire 1,000 par value and Lire 7,940 paid-up surplus, for each of the 11,997,790 new ordinary shares to be reserved exclusively for the exercise of 11,997,790 "SASIB Ordinary Warrants 1997";
- Lire 5,640, of which Lire 1,000 par value and Lire 4,640 paid-up surplus, for each of the 10,903,533 new non-convertible savings shares to be reserved exclusively for the exercise of 10,903,533 "SASIB Saving Warrants 1997".

* * *

Procedures – including those for U.S. Persons and Persons Outside Italy

1) RIGHTS MAY BE EITHER SOLD OR EXERCISED BY OR ON BEHALF OF PERSONS IN THE UNITED STATES AND U.S. PERSONS (AS SUCH TERMS ARE DEFINED IN REGULATION S UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT") AND COLLECTIVELY HEREIN "U.S. PERSONS") INCLUDING HOLDERS OF SPARCS ONLY UPON CERTIFICATION AS DESCRIBED BELOW THAT SUCH PERSON IS A "QUALIFIED INSTITUTIONAL BUYER" (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT AND REFERRED TO HEREIN AS "QIBS") AND IN ACCORDANCE WITH APPLICABLE STATE SECURITIES LAWS.
2) Holders of SPARCS with registered addresses in the United States will receive the appropriate form of certification and other information – including the most recent financial results for SASIB S.p.A. – from the Registrar as specified on their SPARCS. Other holders of SPARCS who are U.S. Persons and who intend to sell or exercise their rights should contact the Registrar to receive such certification and information. Holders of SASIB shares who are U.S. Persons and who intend to sell or exercise their rights should contact Morgan Guaranty Trust Company of New York, at the address set forth below, who is acting as the U.S. rights agent (the "U.S. Rights Agent") to receive such certification and information.
3) In order either to sell or to exercise their rights, holders of SPARCS in bearer form must present to any conversion agent specified in the SPARCS and set forth below (a "Conversion Agent") the relevant SPARCS with the Entitlement Notice no. 1 attached by July 10, 1994 in order to obtain the necessary investment certification and other necessary documents, which, in order to exercise such rights, must then be completed and lodged with a Conversion Agent prior to July 17, 1994. Holders of SPARCS in registered form must lodge a duly completed investment certification and other necessary documents with a Conversion Agent prior to July 17, 1994 in order to sell or exercise their rights. Holders of SASIB shares who are U.S. Persons must present to the U.S. Rights Agent prior to July 17, 1994 a duly completed investment certification and must arrange for the presentation of coupon no. 19 detached from such shares to Monte Titoli S.p.A. or the agent bank that holds their shares in order either to sell or to exercise their rights. All investment certifications must be in the form provided by the Registrar and the U.S. Rights Agent.
4) The ordinary shares, non-convertible savings shares and warrants issuable upon exercise of the rights have not been registered under the Securities Act and accordingly may not be reoffered or resold except pursuant to the exemption from registration provided by Rule 144A or Regulation S thereunder and in accordance with applicable state securities laws.
5) Applications for the exercise of the "SASIB Ordinary Warrants 1997" and "SASIB Savings Warrants 1997" by or on behalf of U.S. Persons must be presented to the U.S. warrant agent appointed by SASIB S.p.A. (initially, Morgan Guaranty Trust Company of New York). The "SASIB Ordinary Warrants 1997" and "SASIB Savings Warrants 1997" may be exercised by or on behalf of U.S. Persons only upon certification to the U.S. warrant agent that such person is a QIB and in accordance with applicable state securities laws. The ordinary and non-convertible savings shares issued upon exercise of the warrants will also be subject to restrictions on their resale and may only be reoffered or resold pursuant to an exemption from registration provided by Rule 144A or Regulation S under the Securities Act and in accordance with applicable state securities laws.

Conversion Agents:
Morgan Guaranty Trust Company of New York, 60 Victoria Embankment, London EC4Y 0JP, England.
Morgan Guaranty Trust Company of New York, Corporate Trust Operations Department, 55 Exchange Place, Basement A, New York, NY 10260-0023, U.S.A.
Banque Paribas Luxembourg, 10A Boulevard Royal, L-2093 Luxembourg, Luxembourg.

U.S. Rights Agent and U.S. warrant agent:
Morgan Guaranty Trust Company of New York, Corporate Trust Operations Department, 55 Exchange Place, Basement A, New York, NY 10260-0023, U.S.A.

June 21, 1994

SASIB S.p.A.

BANK GESELLSCHAFT BERLIN AG

Invitation to the Annual General Meeting

We hereby invite the shareholders of our Company to the Annual General Meeting, which will be held on Friday, 22 July 1994 at 10:00 a.m. at the Berlin International Congress Centre, Hall 1, Messedamm, 14055 Berlin-Charlottenburg.

Agenda

1. Presentation

a) of the adopted Annual Accounts as of 31 December 1993 with the management report for the 1993 financial year and the report of the Supervisory Board

b) of the Consolidated Accounts as of 31 December 1993 with the Group management report for the 1993 financial year

2. Resolution regarding the utilization of the profit for the year

The Board of Management and the Supervisory Board propose that the profit for the year be utilized for the distribution of a dividend of DM 9.– for each share having a nominal value of DM 50.– of the equity capital of DM 490,872,050.– as at 31 December 1993.

3. Resolution regarding formal approval of the actions of the Board of Management for the 1993 financial year

The Board of Management and the Supervisory Board propose that the actions of the Board of Management be given formal approval.

4. Resolution regarding formal approval of the actions of the Supervisory Board for the 1993 financial year

The Board of Management and the Supervisory Board propose that the actions of the Board of Management be given formal approval.

5. Election of the Supervisory Board

In view of the creation of the new Bank Group and in accordance with agreements in this respect, all current members of the Supervisory Board have resigned from office effective as at the end of the 1994 Annual General Meeting.

Pursuant to Section 96 (1) and Section 101 (1) of the German Companies Act and Section 7 (1) No. 2 of the Law on the Codetermination of Labour of 4 May 1976 in connection with Section 8 (1) of the Articles of Association of Bankgesellschaft Berlin AG, the Supervisory Board is composed of ten representatives of the shareholders and ten representatives of the employees. Of the members of the Supervisory Board representing the shareholders, eight are elected by the Annual General Meeting and two are nominated to the Supervisory Board by the State of Berlin in its function as shareholder.

The Annual General Meeting is not bound by these nominations.

The Supervisory Board nominates the following shareholder representatives to the Supervisory Board:

Heinz Dürr, Berlin
Chairman of the Board of Management, Deutsche Bahn AG

Horst Kramp, Berlin
President of the Berlin Chamber of Industry and Commerce

Dr. Klaus Murmann, Kiel
President of the German Federation of German Employers Associations

Dr. Jens Odewald, Bergisch Gladbach
Chairman of the Board of Management, Kaufhof Holding Aktiengesellschaft

Dr. Wolfgang Peiner, Cologne
Chairman of the Board of Management, Gothaer Versicherungen

Edzard Reuter, Stuttgart
Chairman of the Board of Management, Daimler-Benz AG

Friede Springer, Berlin
Managing Director, Axel Springer Gesellschaft für Publizistik GmbH & Co.

Günter Wilhelm, Wiesenthau
Member of the Board of Management, Siemens AG

6. Resolution regarding approval for a Control and Profit Transfer Agreement with BB-Betriebsservice GmbH Ein Unternehmen der Bankgesellschaft Berlin

The Board of Management and the Supervisory Board propose that the Control and Profit Transfer Agreement concluded with BB-Betriebsservice GmbH Ein Unternehmen der Bankgesellschaft Berlin (hereinafter referred to as *"BB-Betriebsservice GmbH"*) *on 21* December 1993, with a term lasting from 1 January 1994 until 31 December 1998, be approved pursuant to Section 293 (2) of the German Companies Act. In summary, the Agreement has the following contents:

- BB-Betriebsservice GmbH puts the management of its Company under the control of Bankgesellschaft Berlin AG and accordingly undertakes to follow the instructions of Bankgesellschaft Berlin AG.
- BB-Betriebsservice GmbH has undertaken to transfer its annual net profit to Bankgesellschaft Berlin AG at the end of each financial year, in accordance with the relevant stipulations of Section 301 of the German Companies Act.
- BB-Betriebsservice GmbH may not transfer more of its profits for the year to other retained profits than can be deemed reasonable from a commercial point of view.
- In accordance with the relevant stipulations of Section 302 of the German Companies Act, Bankgesellschaft Berlin AG undertakes to make up any loss for the year occurring during the term of the Agreement, unless such loss is being made up through the withdrawal of amounts transferred to other retained profits during the term of the Agreement.

The Agreement shall be extended automatically from year to year after the expiry of the fixed term of duration thereof, by one year respectively unless notice *of termination is given* at least six months prior to the end of the financial year. The contractual relationship shall continue unchanged.

The Control and Profit Transfer Agreement is available for examination by the shareholders at the premises of Bankgesellschaft Berlin AG: a copy of which will be posted to shareholders upon request. The Agreement will also be available for examination at the Annual General Meeting.

7. Resolution regarding authorization for Bankgesellschaft Berlin AG to purchase its own shares

The Board of Management and the Supervisory Board propose the following resolution:

that, in the event of the Second Law on the Promotion of Financial Markets and the amendment it entails to Section 71 of the German Companies Act coming into force, Bankgesellschaft Berlin Aktiengesellschaft be authorized, *for the purpose of securities trading*, to purchase and sell its own shares at prices not exceeding or below the average standard quotation of the shares at the Berlin Stock Exchange by more than 10% for the ten trading days preceding the purchase or sale of the shares. The trading portfolio of shares to be purchased for this purpose may not exceed 5% of the equity capital of Bankgesellschaft Berlin Aktiengesellschaft at the end of any one day. This authorization shall be valid for a period of 18 months. Should the final version of the law fall short of the current draft in some of its points, the authorization shall then apply in an appropriate form.

8. Election of the auditor for the 1994 financial year

The Supervisory Board proposes that KPMG Deutsche Treuhand-Gesellschaft Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Berlin and Frankfurt-on-Main, and BDO Deutsche Warentreuhand Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Berlin and Hamburg, be appointed as auditors for the Annual Accounts and Consolidated Accounts.

In order to participate in the Annual General Meeting and exercise their right to vote, shareholders must have deposited their shares by 15 July 1994 at the latest at

a) Bankgesellschaft Berlin Aktiengesellschaft or one of the branches of Berliner Bank Aktiengesellschaft or Landesbank Berlin – Girozentrale –

b) one of the branches of the following banks:

Deutsche Bank Aktiengesellschaft
Baden-Württembergische Bank Aktiengesellschaft
Bayerische Hypotheken- und Wechsel-Bank Aktiengesellschaft
Bayerische Vereinsbank Aktiengesellschaft
Berliner Handels- und Frankfurter Bank
Commerzbank Aktiengesellschaft
Delbrück & Co.
DG BANK Deutsche Genossenschaftsbank
Dresdner Bank Aktiengesellschaft
Norddeutsche Landesbank Girozentrale
Sal. Oppenheim jr. & Cie. Kommanditgesellschaft auf Aktien
Trinkaus & Burkhardt Kommanditgesellschaft auf Aktien
Vereins- und Westbank Aktiengesellschaft
M.M. Warburg & CO
BfG Bank AG
Merck, Finck & Co.

leaving them there until the end of the Annual General Meeting.

Shares shall also be deemed duly deposited if, with the approval of one of the places of deposit, they are blocked *at another bank from* 15 July 1994 until the end of the Annual General Meeting.

Shares may also be deposited in the care of a German Notary Public or at a securities clearing and depositing bank. A certificate to this effect must be submitted to the Company by 18 July 1994 at the latest.

Berlin, June 1994

BANKGESELLSCHAFT BERLIN Aktiengesellschaft

The Board of Management

US prices drop as dollar comes under pressure

By Frank McGurty in New York and Graham Bowley and Conner Middelmann in London

US Treasury bonds slumped yesterday morning amid fears that the Federal Reserve might lift interest rates again to support the weakening dollar.

By midday, the benchmark 30-year government bond was down 7/32 at 85 19/32. The yield rose to 7.463 per cent, just shy of the upper limit of its recent trading range. The two-year note was off 3/32 at 5.873 per cent, to yield 5.873 per cent.

Jitters over monetary policy, never too far from the surface in recent weeks, resurfaced as the dollar came under renewed selling pressure in the foreign exchange markets.

The persistent weakness of the US currency has alarmed bond traders because it could force the Fed to tighten monetary policy for the fifth time this year, perhaps as early as next month.

At least one Fed governor, Mr Lawrence Lindsey, is on record as saying the dollar's decline contributed to the central bank's decision to lift rates last month.

Traders were anxiously awaiting a statement by Mr Lloyd Bentsen, the treasury secretary, who was expected to address the issue of the US currency's instability later in the afternoon.

Amid these misgivings, Treasuries moved moderately lower in early trading, following through on overseas activity in which the yield on the long bond tested its 7.50 per cent support level.

Later, bonds were given a sorely needed boost by reports that central banks were quietly entering the foreign exchange markets to support the dollar. US-denominated securities would likely benefit from the reinvestment of such purchases.

The bond market also benefited from a decline in commodity prices, whose sharp rise has complicated the outlook. The softer tone in gold, oil and other products by mid-morning helped bonds trim their losses to modest levels as the afternoon commenced.

After last week's barrage of economic data, traders were looking ahead to a rather quiet week. The most significant news is due on Thursday, with the release of May durable goods orders and weekly figures on claims for unemployment benefit.

GOVERNMENT BONDS

The market is also facing a fresh influx of supply this week. The Treasury is scheduled to auction $17bn in two-year notes today and $11bn in five-year securities tomorrow afternoon.

■ European government bond markets fell to new lows in volatile trading yesterday, on weakness in US Treasuries, a falling dollar and worries over rising inflation and talk of a global capital shortage.

After opening lower on the back of the mark-down in Treasuries on Friday, markets rose in the afternoon on a technical squeeze before heading back downwards. Futures trading dominated, with little activity reported in the cash market.

Traders said many US-based investors took advantage of the weakness of the dollar to switch from European into US assets. Dealers also reported position-squaring by investors ahead of the end of the second quarter.

■ Although German government bonds were the least affected by the sell-off, the September bund futures contract on Liffe fell by more than 1 point to a new low for the year before settling around 90.33, down 0.78 points on the day.

"The market is taking the worst-case scenario on inflation and interest rates," said Mr Ifty Islam, fixed income strategist at Merrill Lynch. "They are taking nothing on trust and want to see actual proof that [German] money supply growth is under control and inflation is falling." May M3 money supply data are expected this week.

■ The French market was dragged down with the rest of Europe, with some added political uncertainty following the resignation of Mr Michel Rocard as head of the French Socialist party.

The September future contract settled at 122.84, down 0.94 points.

■ UK gilts also had a roller-coaster day, falling sharply on early selling in the futures pits and recouping some of their losses on late short-covering.

In the absence of market-moving domestic news, gilts tracked international markets lower. The September long gilt futures contract fell by about ⅞ points to 98 19/32.

■ Italian bonds fell sharply early on but recovered somewhat on late short-covering.

A sharp rise in the repo rate at the Bank of Italy's latest open-market operations aggravated weak market conditions. The minimum rate rose to 8.05 per cent, from 7.75 per cent at the last repo and above the 8 per cent Lombard rate. However, the central bank said this was an anomaly and it had no intention of pushing rates higher.

Spanish bonds fared even worse, with the September 10-year futures contract falling 2.3 points to 87.75. Its early plunge prompted the Spanish futures exchange to widen its daily limit up or down for the contract to 300 basis points from 200 points. The Spanish 10-year bond yield spread over bunds widened to 362 basis points, from 336 points on Friday.

■ Japanese bonds took another tumble, dogged by jitters over domestic politics, the rise in commodities prices, fears of an expanding budget deficit and worries that economic recovery may lead to monetary tightening by the Bank of Japan. Since May 30, the yield on the benchmark government bond has risen by about 80 basis points to 4.51 per cent.

Strong demand for Hungarian offering

By Nicholas Denton in Budapest

Hungary's largest initial public offering so far this year opened yesterday, a 29 per cent state-owned tranche in pharmaceuticals producer Egis.

Part of the $44m issue is available on preferential terms in exchange for "compensation coupons," special state securities granted to victims of communist expropriation.

The issue met strong demand from local investors. Some compensation coupon holders and speculators had begun queueing last Friday and police had to intervene yesterday in Budapest to prevent scuffles and restore order to the queues.

Foreign institutional investors, for whom 16 per cent of Egis is earmarked, have also shown keen interest.

Although subscriptions for cash payment only begin today, early indications are that the foreign component will be two to three times over-subscribed.

Egis shares have been priced at about half the Budapest Stock Exchange average, at just 7.3 times forecast 1994 after-tax earnings of Ft1.87bn ($18m).

The London-based European Bank for Reconstruction and Development bought a 30 per cent stake in Egis in December last year and the purchase price is linked to the flotation value of the pharmaceutical company.

The EBRD will therefore pay $45m for its shareholding, bringing the total raised in the privatisation of Egis to $89m and making the complete transaction the largest so far in Hungary this year.

Egis will also become the second largest company on the Budapest Stock Exchange when it gains a listing in the middle of July.

Lead manager for the Egis transaction is CS First Boston, the international investment bank. CSFB and CA Securities, a subsidiary of Austria's Creditanstalt group, have dominated Hungary's new issue market this year.

The Egis IPO is one of a series of equity issues by Hungarian drugs groups, a sector in which the country is traditionally strong. Shares in Chinoin and Pharmavit go on sale later this week.

Richter Gedeon, Hungary's largest pharmaceuticals company, is expected to follow Egis on to the stock market next month in a transaction of comparable value.

Schroders, the UK merchant bank and CA Securities are advising on the sale of about 30 per cent of the company.

Treasury sets date for UK privatised debt sale

By Antonia Sharpe

The UK Treasury's previously-announced sale of debt issued by privatised companies will take place on July 18, Salomon Brothers, the US investment bank acting for the Treasury, said yesterday.

The sale, which the Treasury hopes will raise between £1bn and £1.5bn, includes bonds issued by British Telecommunications, London Electricity, Manweb, National Grid, National Power, Scottish Hydro and Seeboard.

Issuers have been invited to submit firm offers to buy back their debt by noon on July 18.

National Grid has pre-emption rights to repurchase the two bonds selected for inclusion in the sale. If these rights are exercised the bonds will not be available for sale to third parties.

The Treasury holds debt with a face value of £2.7bn issued by privatised utilities.

This summer's sale of debt forms part of the £5.5bn privatisation programme for 1994-95.

The programme, which was announced in last November's Budget, includes the receipt of final payments for BT3 shares and the sale of remaining stakes in the electricity generators.

Canada issue to replenish its reserves

By Antonia Sharpe

Fresh volatility in European government bonds brought new issuance in the eurobond market to a virtual standstill yesterday, the only deal of note being a $2bn issue of three-year eurobonds from Canada.

Syndicate managers said that while the pricing of the issue was correct, they feared that the market would have difficulty in absorbing the bonds in view of the latest sell-off in the markets and worries about the dollar. They also questioned whether there was enough retail demand for short-dated dollar bonds to ensure swift placement.

The Canadian finance ministry said the size of the offering would enable it to become the new three-year benchmark in the eurodollar sector and would ensure a liquid secondary market. The proceeds will replenish the country's foreign exchange reserves following its recent sales of US dollars in the foreign exchange market to protect the Canadian currency.

INTERNATIONAL BONDS

Lead managers Deutsche and UBS reported steady sales to investors in the Far East and Europe. However, syndicate managers expected loose bonds coming back into the market, especially from banks within the syndicate, to cause the yield spread on the bonds to widen, even though the joint leads would be under pressure to defend the spread. At launch the bonds were priced to yield 17 basis points over three-year Treasuries and when they were freed to trade the spread remained unchanged.

The market is looking ahead to Fannie Mae's first global bond offering, due to be launched tonight to coincide with Tokyo trading hours. Pricing of the $1.5bn issue of 10-year bonds is scheduled for Wednesday afternoon London time. They are likely to be priced to yield around 23 basis points over Treasuries.

Later in the week, UCB Group, a subsidiary of Compagnie Bancaire of France, is likely to raise £250m to £300m through an offering of mortgage-backed bonds through its special-purpose vehicle, Leo 2. J. P. Morgan is believed to be handling the issue.

● Standard & Poor's, the international rating agency, has affirmed the long-term debt ratings of Barclays Bank and its units (double-A for senior debt, double-A minus for subordinated debt and single-A plus for junior subordinated perpetual debt) and removed them from CreditWatch, where they were placed in March. The rating outlook is stable.

Venezuela rating may fall

By Tracy Corrigan

Standard & Poor's may lower the Republic of Venezuela's double-B minus debt rating, which applies to the country's $2bn-worth of eurobonds.

The country's Brady bonds, consisting of $20bn of debt issued as part of its 1990 commercial bank rescheduling agreement, are not rated.

The rating was placed on CreditWatch with negative implications due to "the disarray in the Caldera administration's economic policies [and] the deepening crisis in the financial sector".

The move comes at a time when other Latin-American countries, such as Mexico, are hoping that their ratings will be raised.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		9.000	09/04	85.9900	−2.480	9.62	8.85	8.57
Belgium		7.250	04/04	94.3500	+0.050	8.10	7.90	7.43
Canada *		6.500	06/04	81.9500	−0.750	9.33	8.78	8.29
Denmark		7.000	12/04	90.0200	−0.730	8.46	8.06	7.30
France	BTAN	8.000	05/98	102.2500	−0.880	7.03	6.77	6.09
	OAT	5.500	04/04	84.2400	−0.430	7.86	7.47	6.78
Germany Treuhand		6.750	05/04	96.0800	−1.210	7.32	7.00	6.54
Italy		8.500	01/04	85.0000	−1.650	11.09†	10.04	9.25
Japan	No 119	4.800	06/99	103.6370	−0.880	3.93	3.52	3.25
	No 164	4.100	12/03	97.4030	−0.520	4.49	4.23	3.75
Netherlands		6.750	01/04	89.1800	−0.720	7.36	7.12	6.62
Spain		10.500	10/03	97.2000	−2.500	10.97	10.08	9.41
UK Gilts		6.000	08/99	89-29	−25/32	8.47	8.24	7.53
		6.750	11/04	86-08	−30/32	8.79	8.58	7.96
		9.000	10/08	101-24	−39/32	8.78	8.63	8.05
US Treasury *		7.250	05/04	100-20	−8/32	7.16	7.07	7.15
		6.250	08/23	85-20	−12/32	7.47	7.35	7.39
ECU (French Govt)		6.000	04/04	85.0000	−0.800	8.29	7.91	7.16

London closing, *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Lunchtime — Treasury Bills and Bond Yields

Prime rate	7¼	One month	3.98	Two year	5.89
Broker loan rate	5½	Two month	4.14	Three year	6.25
Fed.funds	4¼	Three month	4.22	Five year	6.73
Fed.funds at intervention	-	Six month	4.68	10-year	7.15
		One year	5.17	30-year	7.46

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	112.40	112.84	-0.94	112.96	111.60	297,809	120,081
Dec	111.54	111.94	-0.94	111.90	111.00	2,831	8,756
Mar	110.74	111.14	-1.86	110.74	110.74	2	-

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	CALLS Jul	CALLS Sep	CALLS Dec	PUTS Jul	PUTS Sep	PUTS Dec
115	0.26	1.39	1.40	2.50	3.49	-
116	0.12	0.96	1.06	3.32	4.15	5.15
117	0.06	0.72	0.80	-	4.94	-
118	0.04	0.43	0.57	-	6.50	-
119	-	0.30	-	-	7.03	-

Est. vol. total, Calls 93,918 Puts 151,881. Previous day's open int., Calls 315,816 Puts 340,880.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	90.41	90.33	-0.78	90.73	89.91	170891	155479
Dec	89.57	89.65	-0.81	90.00	89.52	792	2043

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	CALLS Jul	CALLS Aug	CALLS Sep	CALLS Dec	PUTS Jul	PUTS Aug	PUTS Sep	PUTS Dec
9000	0.68	1.48	1.79	1.95	0.35	1.15	1.46	2.30
9050	0.40	1.20	1.51	1.72	0.57	1.37	1.68	2.57
9100	0.21	0.96	1.27	1.50	0.88	1.65	1.94	2.85

Est. vol. total, Calls 19897 Puts 23103. Previous day's open int., Calls 214182 Puts 226412

■ NOTIONAL MEDIUM TERM GERMAN GOVT. BOND (BOBL)(LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep		96.45	-0.70			0	76

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	100.00	101.75	+0.15	102.49	99.60	64696	66136
Dec		100.70	+0.15			0	100

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	CALLS Sep	CALLS Dec	PUTS Sep	PUTS Dec
10150	2.60	3.21	2.35	4.01
10200	2.34	2.99	2.59	4.29
10250	2.10	2.78	2.85	4.58

Est. vol. total, Calls 4144 Puts 2973. Previous day's open int., Calls 23858 Puts 20585

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	88.05	87.79	-2.30	88.70	86.56	86,226	92,616
Dec	-	-	-	-	-	-	-

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	100-06	99-26	-1-06	100-08	99-14	1038	10275
Sep	99-02	98-19	-1-06	99-11	97-31	74338	118456
Dec		97-19	-1-06			0	67

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	CALLS Sep	CALLS Dec	PUTS Sep	PUTS Dec
98	2-45	3-02	2-07	3-28
99	2-12	2-38	2-38	4-00
100	1-47	2-13	3-09	4-39

Est. vol. total, Calls 5172 Puts 6843. Previous day's open int., Calls 52142 Puts 37079

Ecu

■ ECU BOND FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	80.90	81.42	-0.78	81.50	80.30	1,487	6,372
Dec	-	-	-	-	-	-	-

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Jun	103-29	103-23	-0-07	103-29	103-12	19,430	29,788
Sep	103-00	102-24	-0-07	103-00	102-12	456,258	349,070
Dec	102-08	102-02	-0-08	102-06	101-24	1,775	37,342

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Sep	107.78			108.25	107.78	2991	0

* LIFFE contracts traded on APT. All Open Interest figs. are for previous day.

FT-ACTUARIES FIXED INTEREST INDICES

Price Indices UK Gilts	Mon Jun 20	Day's change %	Fri Jun 17	Accrued interest	xd adj. ytd		Low coupon yield Jun 20	Jun 17	Yr. ago	Medium coupon yield Jun 20	Jun 17	Yr. ago	High coupon yield Jun 20	Jun 17	Yr. ago
1 Up to 5 years (24)	120.35	−0.39	121.12	1.43	5.77	5 yrs	8.53	8.32	7.00	8.68	8.54	7.20	8.81	8.62	7.36
2 5-15 years (22)	137.63	−0.93	138.93	1.87	6.42	15 yrs	8.66	8.56	7.78	8.81	8.70	8.14	9.13	9.00	8.41
3 Over 15 years (9)	154.93	−0.50	155.66	2.59	5.41	20 yrs	8.57	8.50	7.98	8.81	8.70	8.25	8.90	8.80	8.46
4 Irredeemables (6)	174.54	−0.91	176.15	1.78	6.36	Irred.†	8.66	8.56	8.35						
5 All stocks (61)	135.93	−0.68	137.00	1.84	6.09										

Index-linked	Mon Jun 20	Day's change %	Fri Jun 17	Accrued interest	xd adj. ytd		Inflation 5% Jun 20	Jun 17	Yr. ago	Inflation 10% Jun 20	Jun 17	Yr. ago
6 Up to 5 years (2)	185.56	−0.15	185.83	1.09	2.53	Up to 5 yrs	3.86	3.79	2.97	2.79	2.72	2.19
7 Over 5 years (11)	169.71	−0.64	171.15	0.58	2.65	Over 5 yrs	3.96	3.91	3.53	3.76	3.71	3.34
8 All stocks (13)	170.47	−0.59	171.79	0.63	2.63							

Debentures and Loans	Mon Jun 20	Day's change %	Fri Jun 17	Accrued interest	xd adj. ytd	5 year yield Jun 20	Jun 17	Yr. ago	15 year yield Jun 20	Jun 17	Yr. ago	25 year yield Jun 20	Jun 17	Yr. ago
9 Debs & Loans (76)	126.91	+0.01	127.19	2.06	5.55	9.80	9.73	8.76	9.69	9.66	9.12	9.60	9.60	9.27

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT FIXED INTEREST INDICES

	June 20	June 17	June 16	June 15	June 14	Yr ago	High*	Low*
Govt. Secs. (UK)	91.14	91.79	91.80	92.38	91.95	96.41	107.04	91.04
Fixed Interest	108.31	108.37	108.73	109.12	108.62	113.40	133.87	108.31

* for 1994. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75). Fixed Interest high since compilation: 133.87 (21/1/94), low 50.53 (3/1/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974

GILT EDGED ACTIVITY INDICES

	June 17	June 16	June 15	June 14	June 13
Gilt Edged bargains	93.1	96.5	102.9	117.6	105.0
5-day average	101.9	101.8	105.6	102.9	96.9

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:00 pm on June 20

	Issued	Bid	Offer	Chg.	Yield
U.S. DOLLAR STRAIGHTS					
Abbey Natl Treasury 6½ 03	1000	92	92¼	−½	7.78
Alberta Province 7⅝ 98	1000	101¾	102⅛	−¼	7.13
[illegible]					
United Kingdom 7¼ 97	5500	101⅞	102		6.47
Volkswagen Intl Fin 7 03	1000	95⅜	96¼	−⅜	7.65
World Bank 0 15	2000	21	21¼	−½	7.53
[illegible]					
LKB Baden-Wuert 6½ 03	2250	88⅞	89	−⅛	7.62
Norway 6⅛ 98	1500	96½	96⅝	−¼	6.57
Ontario 6¼ 04	1500	90½	90⅝	−½	7.69
Spain 7¼ 03	4000	96	96¼	−¾	7.56
Sweden 8 97	2500	103⅞	104⅛	+⅛	6.66
[illegible]					
McDonalds Canada 15 95 A$	100	107½	108	−½	7.12
NSW Treasury Zero 0 20 A$	1000	9	9½	−⅛	9.54
R & I Bank 7¾ 03 A$	125	86	86⅞	−1¾	10.20
Sth Aust Govt Fin 9 02 A$	150	93⅞	94⅜	−1⅞	10.11
Unilever Australia 12 98 A$	150	108⅝	109⅛	−1⅛	9.18

FLOATING RATE NOTES / other	Issued	Bid	Offer	Chg.	Yield
Abbey Natl Treasury 8 03 £	1000	90⅞	91¼	−¼	9.57
Alliance Leics 11⅜ 97 £	100	107¾	108¼	−¼	8.23
British Land 8⅞ 23 £	150	86⅝	87⅛	−⅜	10.60
[illegible]					

CONVERTIBLE BONDS	Issued	Cnv. Price	Bid	Offer	Prem.
[illegible]					
Sun Alliance 7¼ 08 £	155	3.9	94⅞	95¾	+20.68
Tesco Capital 9 05 £	200	2.51	111¼	112¼	+21.87
Texas Instruments 2¾ 02	300	82⅞	106⅛	107¼	+12.56

* No information available - previous day's price
‡ Only one market maker supplied a price

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day.
FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread=Margin above six-month offered rate (‡three-month §above mean rate) for US dollars. C.cpn=The current coupon.
CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

UK GILTS PRICES

Notes	Yield Int	Yield Red	Price £	+ or −	1994 High	1994 Low
Shorts" (Lives up to Five Years)						
Treas. 10pc Ln. 1994‡‡	10.00	-	100		102⅛	100
Exch 12½pc 1994	12.48	4.98	100⅛	−⅛	104⅛	100⅛
Treas 9pc 1994‡‡	8.88	5.19	101⅜		103⅜	101⅜
12pc 1995	11.55	5.28	103⅞xd	−⅛	107⅛	103⅞
Exch 3pc Gas 90-95	3.06	4.85	98⅛		98¼	97⅛
10¼pc 1995	9.81	5.84	104½xd	−⅛	107⅞	104½
Treas 12¾pc 1995‡‡	11.75	6.30	108⅝	−⅛	113⅝	[illegible]
[illegible]						

Notes	Yield Int	Yield Red	Price £	+ or −	1994 High	1994 Low
10pc 2003	9.46	9.05	105⅝	−1⅛	127⅛	105⅝
Treas 11½pc 2001-4	10.37	9.24	110⅞	−1¼	129⅛	110⅞
Funding 3½pc '99-4	4.83	7.85	72⅛xd	−⅝	86⅛	71⅛
Conversion 9½pc 2004	9.19	8.99	103⅜	−1⅛	125⅛	103
Treas 6¾pc 2004‡‡	7.84	8.79	86⅛	−1⅛	105⅛	85⅜
Conv 9½pc 2005	9.15	8.94	103⅝	−1⅛	125½	103⅝
Treas 12½pc 2003-5	10.48	9.35	119⅛	−1⅛	143⅛	119⅛
7¾pc 2006‡‡	8.43	8.83	91⅜	−1⅛	112⅜	91½
[illegible]						

Index-Linked Notes	Yield (1)	Yield (2)	Price £	+ or −	1994 High	1994 Low
2pc '96 (67.9)	2.70	3.93	198⅝	−⅛	203⅝	197⅜
4⅝pc '98‡‡ (135.6)	2.91	3.70	107	−⅛	113⅜	106⅜
2½pc '01 (78.3)	3.44	3.88	164⅛	−⅛	176⅝	164⅛
2½pc '03 (78.8)	3.54	3.89	160	−⅛	173⅝	160
4⅜pc '04‡‡ (135.6)	3.61	3.94	107⅛	−⅛	118⅛	107⅛
2pc '06 (69.5)	3.61	3.87	166xd	−⅛	184⅜	166
2½pc '09 (78.8)	3.72	3.94	149⅝	−⅛	163⅛	149⅝
[illegible]						

Other Fixed Interest

Notes	Int	Red	Price £	+ or −	1994 High	1994 Low
[illegible]						

● "Tap" stock. ‡‡ Tax-free to non-residents on application. E Auction basis. xd Ex dividend. Closing mid-prices are shown in pounds.

Closure costs cut East Midlands Electricity

By David Wighton

East Midlands Electricity is increasing its dividend for the year by 16 per cent to 22.7p in spite of a sharp fall in profits due to the costs of closing most of its contracting operations.

In May the company announced its decision to reverse its expansion into contracting and to write-down the asset value of its home security and retailing businesses.

This resulted in a total exceptional cost of £129.5m which reduced pre-tax profits to £51.2m (£155.1m) in the year to March 31. Turnover fell 8 per cent to £1.44bn (£1.57bn) following the separation of the retail business.

Mr Norman Askew, the new chief executive, said the dividend rise from 19.5p, with a recommended final of 15.9p, reflected the strength of the underlying business. Operating profits advanced by 13 per cent to £182.8m (£162.1m).

Mr Askew also pointed to the strong cash inflow last year which cut net borrowings from £141.4m to just £2m. More than half the inflow was due to one-off factors with underlying cash generation improving to £57.4m (£38.7m)

East Midlands is to seek shareholder approval for the purchase of up to 10 per cent of its shares in the market.

Mr Askew, who conducted a full review of the group following his appointment in September 1992, said this was consistent with its new strategy of focusing on its core electricity business.

He said: "The first call on the group's cash is to invest in the core business to get costs down. However, the surplus should not be left tied up in the company but released to shareholders."

The company had ruled out, for the time being, the idea of moving into the provision of any other utility services, he added.

Operating profit from the electricity distribution business rose by 10.6 per cent to £169.9m with the number of electricity units distributed up 1.7 per cent.

Last year's restructuring of the electricity business, which will yield annual savings of £15m, resulted in the loss of 400 jobs and a further 100 have gone so far this year.

The retailing business, which was put into a joint venture with Yorkshire Electricity, lost a total of £5.7m and Mr Askew said that further restructuring was required in the electrical retailing market.

Earnings per share fell to 12.7p (53.3p) but before exceptionals rose to 63.7p (59.2p).

● COMMENT

Given the slump in earnings the 16 per cent rise in the dividend might seem over-generous. But it is still covered 2.8 times by earnings before exceptional items and the balance sheet is in fine health despite the diversification damage. Although East Midlands' distribution business is already one of the most efficient in the sector the new team, with a wealth of private sector experience behind them, believe there is still a long way to go. For the moment all City attention is focused on the sector's new price which the regulator will announce in August. Now yielding 5 per cent, East Midlands shares appear to be discounting all but the worst possible outcome.

Emap approach rebuffed by Trans World

By Raymond Snoddy

The board of Trans World Communications yesterday rebuffed an approach from Emap, the media and exhibitions group, for a recommended takeover that would have valued the commercial radio group at about £70m.

The statement came after last week's announcement that Emap, which already owns 30 per cent of Trans World, had an agreement giving it until June 22 to buy at 181p a share the 22 per cent stake owned by Mr Owen Oyston.

The six members of the 10-strong Trans World board who did not exclude themselves from the decision concluded that the premium on offer was not high enough.

The board also expressed concern that the deal could face a legal challenge.

A full Emap takeover of Trans World would breach the legal limit on the number and size of commercial radio licences which can be held by one company.

The Radio Authority, the industry regulator, has agreed "an ownership structure" that could be put in place for part of Emap's existing radio interests to enable it to comply with the rules.

The directors of Guardian Media, publishers of The Guardian, which owns 20 per cent of Trans World, separately made it clear yesterday that it was considering a legal challenge to the ownership arrangements.

The Trans World board said yesterday that the 181p price represented a premium of 5 per cent over the 172.3p average of marked bargains on the day before the Emap announcement.

The board also emphasised yesterday that under the City Code on Takeovers and Mergers, Emap's statement that it would not increase its 181p offer was now binding.

Emap declined to comment yesterday, although it is clear that if, as seems likely, it decides to go ahead with its purchase of the Oyston stake before tomorrow's deadline, it will hold a majority of the company.

That in turn could lead to considerable uncertainty if there is a legal challenge.

For now the Trans World directors urged shareholders to take no action at the moment.

British Steel sees future in the east

Andrew Baxter on the company's long term growth possibilities

TURNOVER	1993 £m	1994 £m
By destination		
UK	2,197	2,233
Rest of Europe	1,465	1,223
Other areas	641	735
Total	4,303	4,191
By product grouping		
Uncoated strip products	860	955
Coated strip products	854	918
Sections and plates	871	931
Tubular products	438	390
Stainless products	189	-
Other steel products	65	74
Total finished products	3,277	3,268
Semi-finished products	228	237
Total steel industry products	3,505	3,505
Distribution	685	566
Others	113	120
Total	4,303	4,191

Tucked away in British Steel's results statement is a figure which could hold the key to the group's long-term growth strategy as it grapples with the maturity of its traditional markets and continuing confusion over subsidies in Europe.

Turnover outside the UK and continental Europe, classified as other areas, rose from £641m to £735m for the year to the end of March. As British Steel says, North American and east Asian markets were strong.

Stripping out North America, turnover in the rest of the world was between £350m and £400m, compared with £340m, of which Asia accounted for £264m. The year before it had reached £390m as British Steel, in the depths of the UK recession, desperately sought markets where steel was in demand.

The figures are important because they encompass developing countries where demand for steel is still growing fast, notably east Asia, and is set to continue that way for a decade or more. But they also present a challenge to British Steel, which accepts that the numbers cannot grow much more unless it develops its presence in these markets.

British Steel has been one of the main beneficiaries of Asia's net deficit in steel production, helped by a joint venture it set up with Jardine Matheson of Hong Kong in 1986, and by a network of British Steel sales offices. The latest one, in Ho Chi Minh City, is just about to open.

Among the record 30m tonnes of steel imported by various producers into China last year were more than 100,000 tonnes of British Steel long products used in construction.

The company has followed and supported British industry in the region. Its structural steel has been supplied to big projects in Hong Kong, the Philippines and Taiwan. It recently received its first order from Vietnam, for 100 tonnes of structural sections.

But along with most of its European and US competitors, British Steel has no mills in Asia, and most of the steel it sells in the region is exported from the UK. The company is thus faced with heavy transport costs and the threat from countries such as China and India which want to become self-sufficient in steel or even net exporters.

"If you have not turned your export sales into domestic production, you will lose out," said Mr Edward Hadas, steel analyst at Swiss Bank Corporation. "At some point that export market won't be there."

British Steel's three-pronged strategy for the region and other steel markets such as central and eastern Europe, recognises that it must have a presence there, although it falls short of turning them into "core" strategic regions.

It believes it ought to be able to optimise revenues by being aware of opportunities in these markets and becoming involved in projects when something more than a commodity grade of steel is needed.

Having built up a worldwide marketing capability it has the necessary shipping, financing and other skills to make a successful steel sale.

Thirdly, and most significantly, it is developing what it sees as a "pathfinder" role, recognising the difficulty of predicting which markets will have the strongest growth. The aim is to position the company within individual markets to increase its knowledge, and identify possible investment decisions and potential local partners.

Investments could be anything from a service or distribution centre to a full-blown mill. For example, if British Steel was to become a large supplier in flat-rolled steel markets in Asia, as demand for cars and domestic appliances accelerates, it may have to make such investments.

Mr Brian Moffat, British Steel's chairman and chief executive, said the company was more likely to invest to add value to the steel process rather than manufacture raw steel. Characteristically, though, British Steel is not rushing, and Mr Moffat said "nothing is immediately imminent".

However, some observers believe the company should not wait too long, or risk being shut out by the expansion plans of indigenous producers – especially the Chinese.

Mr Hadas said the rational strategy for British Steel would be to use any excess cash flow to invest in processing or producing steel where demand growth was higher.

Expansion outside Europe and North America should be at the top of the company's list of strategic priorities, he said. The risks may be relatively high, but the company had technical, management and marketing expertise to offer.

Ultimately, the world's expanding steel regions look like providing a test for Mr Moffat in one of his two key tasks at British Steel – finding ways to grow its revenues. His prowess in the other task, continuing the fight to contain costs and boost productivity further, is already proven.

Meanwhile North America is not being ignored. The company said it was finalising a study to make a significant investment in Tuscaloosa Steel, its Alabama subsidiary, to create a "world competitive" mini-mill producing steel plate.

Electra's net assets improve

By Bethan Hutton

Trevor Humphries

Michael Stoddart (left) with Hugh Mumford, managing director: will retain holdings if market is not receptive to new issues

Net assets at Electra, the venture capital investment trust, rose by 11.6 per cent to 380.9p per share over the six months to the end of March.

Total net assets stood at £659m at March 31, but have declined slightly since then. Mr Michael Stoddart, chairman, said he viewed the future with "tempered optimism".

Electra's portfolio consists of about one third listed companies and two thirds unquoted companies or listed stocks where there are dealing restrictions.

About 30 per cent is invested in the US. Most of the remainder is in the UK, with a few small holdings in continental Europe. The fund does not currently invest in east Asia, but said it had plans for the region.

The listed portfolio grew by 17.6 per cent over the half year, compared with a 3.7 per cent rise in the FT-SE-A All-Share Index. The unlisted portfolio grew by 7.2 per cent.

US growth lagged behind the UK because of declining US stock markets and poor performance by a number of companies, including Atlantic Coast Airlines, Sphere Drake Holdings and US Long Distance.

New unlisted investments, amounting to £71.2m, were split almost equally between the US and the UK. Realisations of unlisted investments brought in £29.3m.

During the half year, four companies in the portfolio were listed and since the end of March a further three have floated. Two more, EuroDollar and Pillar Property Investments, have announced plans to seek a London listing.

"Although we take advantage of market conditions to realise investments through flotations, we are happy to retain our shareholding if the stock market is not receptive to new issues," Mr Stoddart said. Trade buyers were also interested in several companies, he added.

Net available revenue for the half year rose to £6.94m (£6.05m) and an interim dividend of 3.55p (3.45p) is declared from earnings per share of 4.01p (3.5p).

Electra will shortly lose its position as the UK's largest venture capital trust, with the flotation of 3i. Its results will be watched closely for its possible influence on the pricing of the 3i issue, due to be announced tomorrow.

Electra shares closed up 9p at 306p yesterday, a discount of about 19 per cent to the latest net asset value of 378p.

See Lex

Aer Lingus flies into fresh turbulence

By Tim Coone in Dublin

Aer Lingus, Ireland's state airline, is again running into turbulence as 2,000 staff at Team, its aircraft maintenance subsidiary, yesterday rejected new proposals on pay and working practices. Also 750 cabin crew are threatening industrial action over new rostering arrangements.

The disputes come exactly six months after the European Commission approved a I£175m (£172m) equity injection by the Irish government into the airline, to finance a restructuring package to return it to commercial viability. Some I£56m has been used on redundancies, while the remainder is being used to cut debt.

After a year of tense negotiations and repeated threats of strike action, last November the airline's 5,500 workforce finally agreed to 800 redundancies and significant changes in work practices, the overall effect of which has been to strip some I£50m out of annual operating costs.

However, trade union representatives for the cabin crews and the aircraft maintenance staff say that the Aer Lingus management is now seeking further pay cuts and new rostering arrangements which break last November's agreement.

A transatlantic Boeing 747 flight was cancelled at the weekend following a crew dispute, causing disruption for some 900 passengers who had to be accommodated in hotels in Boston, Dublin and Shannon.

The cabin crews have voted by nine-to-one in favour of industrial action, which will begin in two weeks' time unless agreement can be reached in the interim, and will affect all Aer Lingus flights.

Mr Paul O'Sullivan, the union negotiator for the cabin crew said: "The strength of feeling can be gauged from the fact that cabin crews have never in the past voted in favour of going it alone on industrial action."

Management at Team have warned that unless the workforce accepts proposals now before it, 850 compulsory redundancies will have to be made beginning this week. Such a move would trigger strike action by the union. It is thought this would rapidly spread throughout the Aer Lingus group.

Analysts believe that Team's financial problems will be compounded by the airline's decision to replace its ageing Boeing 747s with European Airbus A330s, the first of which recently entered service. Team is tooled up to work on Boeing aircraft only.

Critchley 26% ahead at £3.85m

By Paul Taylor

Critchley Group, the electrical cable accessories manufacturer, reported a 26 per cent increase in pre-tax profits from £3.05m to £3.85m in the year to March 31.

The outcome, achieved on turnover ahead 21 per cent to £28.9m, was struck after a £750,000 provision to cover moving and other costs.

It was in line with forecasts made last month when the group announced plans to buy Idento, a German cable identification products group, for DM27.5m (£11m).

The acquisition was funded in part by a £10m open offer to shareholders and was completed last week.

The Critchley Label Centre business acquired from BT in May last year contributed £3.23m.

Earnings per share grew by 10 per cent to 21.1p (19.1p), held back by a slightly higher tax charge rate and the dilutive effects of the shares issued at the time of the flotation in November 1992.

The proposed final dividend is increased by 15 per cent to 5.5p, making a total of 8.1p for the year. The shares closed up 6p at 444p.

Mr Ian McCallum, chief executive, said he was pleased with the results.

"Margins improved across the group and we are particularly encouraged by the increase in sales overseas which represent nearly 40 per cent of the total," he said.

Operating profits increased by 24 per cent to £3.73m (£3m). Organic growth accounted for about a third of the increase.

The core Critchley electrical cable accessories and identification business reported only a modest domestic sales increase, reflecting the discontinuation of some low margin products and the slow down in the implementation of some large projects in the UK.

However, accessories sales improved from £17.4m to £20.4m, helped by an 11 per cent increase in exports and the Critchley Label Centre acquisition. Divisional profits increased by 6.3 per cent to £2.7m, including a £237,000 contribution from Critchley Label Centre.

Net interest receipts fell to £120,000 (£152,000); the group ended the period with net cash of £3.7m.

Hasbro may raise its 900p a share offer for JW Spear

By David Blackwell

Hasbro, the biggest US toy and games group, yesterday did not rule out raising its bid in the battle for JW Spear, the British company which owns the rights to the Scrabble board game outside North America.

So far Hasbro, which owns Scrabble in the US and Canada, has received no acceptances for its 900p a share bid, launched at the end of last month. Yesterday it extended its offer, which values Spear at £46.9m, to July 11.

Mattel, the rival US toy group which made a last minute bid for Spear, yesterday posted its offer document to Spear shareholders, offering £10 a share in cash or loan notes.

Mr Nigel Hutton of Hasbro UK said the group was still considering all its options, and would be looking at both the Spear defence document and the Mattel offer document closely.

The Spear defence document is expected later this week. The board is not expected to find either offer fair and reasonable, although the higher Mattel bid will be preferred.

Hasbro, which already owns more than 26 per cent of Spear, launched its bid after trustees of some Spear family trusts had given undertakings to sell a further 24.9 per cent unless a higher offer was received in three working days.

The Mattel bid was launched at five minutes to midnight on the last day. Last week a High Court judge released the trustees from any obligation to sell their shares to Hasbro, who had claimed that Mattel's late offer had not been properly announced.

Acquisitions help lift Filofax

By Caroline Southey

Four acquisitions in the last 12 months helped Filofax, the USM-quoted personal organiser group, lift pre-tax profits by 48 per cent, from £2.2m to £3.26m, and total sales by 39 per cent.

Turnover from continuing operations rose from £14.4m to £17.7m while acquisitions contributed £2.37m in the year to March 31. Three acquisitions, including Swedish and German distributors, helped continental European sales rise by 84 per cent to £7m (£3.8m). UK sales increased by 30 per cent to £7m and on a like-for-like basis by 20 per cent to £6.5m.

A final dividend of 1p lifts the total to 1.75p (1.25p), payable from earnings per share of 10.1p (7.7p).

The group ended the year with net cash of £2.41m (£3.35m) after investing £4.9m in acquisitions.

Mr Robin Field, chief executive, said Filofax looked forward to increased growth, particularly in continental Europe, where current sales represented a "small part of future potential". He said the group remained alert to opportunities for further acquisitions.

The UK market for ring binder organisers was growing, he said, and the group had increased its market share to between 55 and 60 per cent.

The acquisition of Drakes in December had enabled the group to increase its sales force in the UK. It also provided scope to develop new product lines, such as the self-stick and carbonless paper products in which Drakes specialised.

Mr Field said the group had moved to secure its own sales and distribution networks in Germany and Sweden following the success of its sales subsidiary in France where turnover had trebled.

He said the Filofax and Drakes brands would be launched in Denmark in the current year.

Low orders push JFB into the red

By Caroline Southey

Low order books pushed Johnson & Firth Brown, the specialist engineering group, into the red at the interim stage, with pre-tax losses of £842,000 to March 31 against profits of £2.07m last time.

Turnover rose from £63.3m to £64.7m while operating profits fell from £2.8m to £177,000.

The Firth Rixson Division – which includes alloys and castings – saw profits halve to £749,000 (£1.55m) on turnover up from £38.9m to £44m.

The light engineering division incurred operating losses of £219,000 (profits £1.71m) on sales down from £24.4m to £20.7m.

Mr George Hardie, joint group managing director, said JFB appeared to be "turning the corner after a most difficult 18 months".

Although margins remained depressed at Firth Rixson, order levels in the rings and forgings businesses had improved.

Mr Hardie said there were plans to sell companies in the light engineering division as part of the group's efforts to focus on core activities, particularly rings and forgings.

He said he did not anticipate further lay-offs following the 10 per cent cut in the workforce, net of the US acquisition, in the last 12 months.

The interim dividend is passed (1p). Losses per share of 0.9p compared with earnings of 0.8p.

Redrow and A McAlpine combine

By Andrew Taylor, Construction Correspondent

A plan to build a £145m housing development south of Northwich, Cheshire, was announced jointly yesterday by Alfred McAlpine, the construction group, and Redrow, the housebuilder which came to the market earlier this year.

The companies have combined to acquire 220 acres of land, payment for which is to be phased until 2001. The total cost of the land purchases, including acquiring certain properties and constructing a spine road, is thought to be in the region of £18m.

This would be equivalent to 13 per cent of the expected total value of the development.

Planning permission for the development of about 1,800 homes over 10 years has been granted by Vale Royal Borough Council. The development, to be known as Kingsmead, will provide shopping and community facilities and more than 40 acres of open space and a new access road to Northwich town centre.

Construction is planned to start this autumn and will provide a range of homes from social housing to low density executive homes.

Redrow raised £55.4m earlier this year to fund expansion. This formed part of a £117m flotation with Mr Steve Morgan, the founder, raising £62m on his own account. The shares, priced then at 135p, closed at 118p yesterday.

Signet chairman's pay jumps 78% to £512,000

By Neil Buckley

Mr James McAdam, executive chairman of Signet, the jewellery group formerly known as Ratners, enjoyed a 78 per cent pay increase to £512,000 last year, according to the annual report.

His total pay the previous year was £288,000. Signet said an increase in Mr McAdam's basic salary from £240,000 to £300,000 reflected his taking over the group chief executive's role from Mr Gerald Ratner, in addition to the chairmanship, in November 1992. It had been reviewed by external consultants.

Mr McAdam was also paid a £130,000 bonus, reflecting his success in returning the group to an operating profit for the year to January 29, and in meeting targets for control of borrowings and costs. His pension contributions and other benefits increased from £48,000 to £82,000.

Towles advises no action on offer

Mr Bill Moss, chairman of Towles, the lossmaking clothing maker, said there was nothing new in the offer document from London City, the Australian investment group which has made a £4.22m cash bid for the company.

London City would have to offer an adequate price, he said, and advised shareholders to take no action.

He also announced the sale of the Derby Road factory and premises, in Loughborough, Leicestershire, for £550,000.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
British Steel	fin	1.5	Aug 15	1	2	1
Critchley	fin	5.5†	Aug 17	4.8	8.1	4.8
East Midlands	fin	15.9	Oct 3	13.78	22.7	19.5
Electra Inv Tst	int	3.55	Aug 11	3.45	-	7
Electronic Data	int	0.667	Aug 3	0.667*	-	1.833*
Filofax §	fin	1†	Nov 1	0.75	1.75	1.25
Fletcher King	fin	1	Oct 1	0.5	1.5	1
Johnson Firth	int	nil		1	-	1.35
Pilot Inv Trust	int	0.9☆	July 22	-	-	-
Pilot Inv Trust	fin	0.1	July 22	-	1.5	-
Renold	fin	1.8	Aug 11	1	2.5	1

Dividends shown pence per share net except where otherwise stated. †On increased capital. §USM stock. *Equivalent after allowing for scrip issue. ☆ Second interim.

Chains side behind Renold's advance to £6m

By David Blackwell

Renold, the chain and gear manufacturer, more than doubled its dividend after reporting a fivefold increase in profits.

For the year to April 2, pre-tax profits were £6m on sales of £130m, up from a previous £1.2m on sales of £125m. The shares closed yesterday up 4½p at 145½p.

Mr David Cotterill, chief executive, said the group had succeeded in bringing in the profits and generating significant cash with little increase in sales. At least £4m of the increase in sales represented currency gains.

There were modest signs of recovery in Europe, which he hoped would lead to increased volumes this year. "There is some fire in the order book at the moment," he said.

The profits were struck after £1m of redundancy costs, mainly in Germany, compared with £1.4m last time. They were helped by a turnround in the Milnrow gears business after two years of losses.

However, chains remain the group's chief earner, accounting for 60 per cent of sales. Productivity gains and marketing focused on higher margin goods were behind the strong improvement in the UK, said Mr Cotterill.

The fact that most of the profits increase arose in the UK, where tax losses are available, led to a substantially lower tax charge of 18 per cent, compared with 50 per cent last time.

Capital expenditure was £3.5m, below depreciation of £5m. Mr Cotterill said spending would increase to £5m this year, much of it at Holroyd, which makes rotors used in air conditioning and refrigeration. Holroyd has won a long-term contract with a leading US compressor manufacturer, commencing next January.

Net interest payable fell from £1.9m to £1.4m, and gearing was reduced from 23 per cent to 2 per cent.

Earnings per share were 7.4p (0.9p). A recommended final dividend of 1.8p gives a total for the year of 2.5p, up from 1p.

Eldridge Pope expands estate with Hovetop buy

By Graham Deller

Eldridge Pope, the USM-traded brewer and wine shipper, is expanding its pub estate through the acquisition of Hovetop, which runs 22 houses, mainly in Bristol and along the Thames Valley.

The vendors are Mr Michael Collins, a director of Eldridge Pope, and Mr M Jackson. Initial consideration of £2.6m in cash and shares will be adjusted either way to between £2.15m and £3.3m depending on Hovetop's performance in the 12 months to end-April 1995.

Mr Christopher Pope, chairman, said the purchase would increase the managed estate by more than 20 per cent, enlarge its catchment area and increase the food element. Some 40 per cent of Hovetop's turnover of £2.8m in the year to April 2 comprised food sales.

He anticipated "significant cost savings" within the Hovetop estate, "particularly in the areas of distribution, administration and central overheads".

Eldridge Pope, best known for its Thomas Hardy and Royal Oak brands, recently announced pre-tax profits of £606,000 for the half to March 31, on turnover of £17.3m.

Growth by successful targeting

Andrew Bolger looks at how Castrol has expanded worldwide

Can Castrol keep it up? The famous brand is the centre of the lubricants business which is mainly responsible for the buoyant performance of Burmah Castrol in recent years.

While the group's chemicals, liquified natural gas, fuels and energy businesses have all suffered during the recent recession, Castrol's profits have maintained a compound annual growth rate of 14 per cent since 1985, except for a flat patch in 1990 caused by the Gulf conflict.

Operating profits from the lubricants side increased last year by 22 per cent, and now contribute two thirds of group profits. This steady growth has helped offset disappointment over Burmah's purchase in 1990 of the metallurgical chemicals businesses of Foseco for £260m.

The group has admitted – with hindsight – that it paid too much for a business which had to be shrunk after the foundries it services plunged into recession. In spite of this, Burmah Castrol's shares have outperformed the market by 44 per cent since the beginning of 1992.

Castrol has increased sales at a compound annual rate of almost 6 per cent, although the world lubricants market has been relatively flat over the last 10 years.

The group has a high marketing spend, sponsoring rallying, Formula 1 racing and the Indy Car Series in the US. Television adverts encourage motorists to cosset their engine by paying a bit more for the "liquid engineering" of Castrol's high-margin GTX brand, rather than a standard lubricant.

One of its greatest marketing successes has been in the US, where over the last 10 years Castrol has raised its share of the DIY lubricants markets from 5 per cent to more than 15 per cent – just behind the market leader, Pennzoil.

Castrol has also spent $20m (£13m) on launching a synthetic motor oil in the US, targeted at the enthusiast and the more technically advanced end of the American market. In spite of selling at nearly four times the price of ordinary lubricants, Syntec has been well received and is expected to move into profit this year.

Although such products may never gain a large share of the market, the establishment of "flagship" products allows Castrol to create gradations in the market of two or three products at intermediate prices.

Castrol has operations in 50 countries and sells to 100 more. Some of its greatest successes have been in developing countries, where economic growth has fuelled consumption. Last year Thailand came sixth in Castol's profits league – one step above the UK.

In Asia, Castrol is targeting what it calls the "have somes" – consumers with annual incomes of more than $18,000 per household. It estimates there are currently 56m to 60m in this category, and the figure could swell to 300m by the end of the century.

Castrol says this group has emerged as the real middle class in Asia and has typical middle class aspirations – it wants to buy houses, cars and consumer durables. Right under this level are the "near haves", which could be as many as 600m by 2000.

Mr Ian Pringle, Castrol's Asia director, says: "The 'have somes' are key to Castrol because they buy vehicles. But so too are the 'near haves' because this group are likely to buy a motorcycle as their first vehicle".

Mr Pringle says one of the most striking features of consumer demand in Asia is what he calls leapfrogging: the rapid assimilation of technology which allows people to go from having no telephone to a mobile cellular phone; or from no radio to owning a compact disc hi-fi system.

He also believes that a certain degree of brand loyalty remains with consumers when the "near haves" graduate to cars. It is because of this that Castrol has made the motorcycle market the nucleus of its entry strategy in Thailand and Vietnam.

Castrol has operations in 50 countries and sells to 100 more. Some of its greatest successes have been in developing countries

Castrol started modestly in Thailand in 1972 in a joint venture with a local distributor, but was inhibited through the seventies and much of the eighties by government price controls. It therefore concentrated on establishing a distribution network, and on building its image among the motorcycling population, despite the profit restrictions.

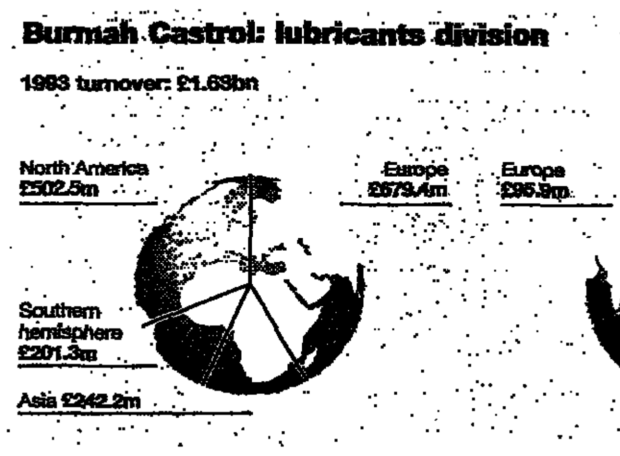
When, during the late eighties, the number of motorcycles in Thailand leapt from 1m to 5m, Castrol was well positioned and now holds the leading share of the motorcycle market. The number of cars doubled between 1980 and 1990, and Castrol has the biggest share in the franchised workshop business.

Hanging on has also proved a lucrative strategy in India, now Castrol's third most profitable market after the US and Germany. Castrol established a branch office there in 1919 and stayed on even when a wave of nationalisation in the seventies caused all of its main competitors to quit. It kept the Castrol name in front of the Indian public by floating 60 per cent of the subsidiary's equity on the Bombay stock exchange and maintaining management control.

When liberalisation came in 1991, Castrol was able to exploit its strong image and distribution network. Volume has grown by 50 per cent in the last two years and Castrol now has nearly 10 per cent of India's lubrication market.

Mr Tim Stevenson, chief executive of Castrol, emphasises that Castrol is not just about automotive products, although they do account for 78 per cent of profits. The remainder comes from industrial and marine lubricants, both of which are targeted for further growth.

Mr Stevenson told a recent meeting of institutions and analysts he was confident that Castrol would "prove wrong the sceptics who for years have been arguing that Castrol is a maturing business, liable to get snuffed out by the oil major dinosaurs".



Improving market lifts Imry to £18.3m

By Vanessa Houlder, Property Correspondent

Imry Holdings, the property company that was taken over by Barclays after one of the biggest debt write-downs in corporate history, yesterday announced a return to profitability.

It made a pre-tax profit of £18.3m for the 12 months ended March, compared with a loss of £24.5m last time.

Net assets increased by 26 per cent from £71m to £89.3m, while gross property assets rose from £290m to £367m.

Mr Martin Myers, chief executive, said he believed that "Imry is well placed to take advantage of a generally improving market, which I expect to continue for the next few years".

Mr Myers said Barclays did not intend to continue to own Imry in the long term, although there were no immediate plans to float the company. "We are not really thinking about it. We are too busy building up the company," he said. Barclay's involvement in Imry stems from 1989 when it financed a leveraged takeover.

During the year, Imry bought £145m of property, while sales totalled £39.6m. The largest deal – in partnership with GE Capital – was the acquisition of 77 properties for £112m. This was funded by loans from GE Capital, Barclays Bank and Imry Property Holdings. It also bought 13 development properties for £5.9m from General Accident.

Following the year end, Imry has reached agreement with Southampton City Council to develop a 30 acre site in the centre of the city into retail warehouses and a 500,000 sq ft retail scheme.

No dividend is proposed.

NEWS DIGEST

EDP falls to £2.06m at midway

Electronic Data Processing, the computing services company, reported pre-tax profits down from £2.34m to £2.06m for the half year to March 31. Turnover fell from £7.35m to £7.18m.

The company attributed the fall to continuing pressure on hardware prices, tough trading conditions and reduced interest income of £251,000 (£300,000). Cash balances at March 31 were £12.6m, and the company is seeking to acquire compatible software businesses.

Mr Michael Heller, chairman, said takeover discussions were taking place but were dependent on a more "realistic" attitude to pricing on the part of the vendors.

Earnings per share dipped to 5.12p (6p), but the interim dividend is maintained at 0.667p.

Brooke Tool in the black at £76,000

An increase in export business helped Brooke Tool Engineering (Holdings), the components, cutting tools and springs company, to report a turnround from pre-tax losses of £397,000 to profits of £76,000 for the six months to end-March.

The outcome was achieved on turnover up from £7.22m to £7.71m, of which some 40 per cent was in export sales.

There had been little improvement in the home market, the directors said.

The interest charge was cut to £166,000 (£257,000) and earnings per share emerged at 0.2p (1.1p losses). There is, however, no interim dividend.

Property side lifts Fletcher King 34%

A strengthening property market helped Fletcher King, the commercial estate agency, to a 34 per cent increase in pre-tax profits and a 50 per cent dividend rise for the year ended April 30.

Pre-tax profit rose from £224,000 to £301,000. The improvement came from the property side, with Howard Associates, the building services subsidiary, breaking even. Turnover was static at £4.93m (£4.97m).

Earnings per share came out ahead at 2.1p (1.6p). A recommended 1p (0.5p) final gives a total 1.5p (1p).

Provider of wood to the stars seeks £1.6m

The producers of Batman and Robin Hood, Prince of Thieves, among others films, had no need to worry where they would find wood when they came to the UK. They merely went round to the Pinewood or Shepperton depots of John Mansfield Group.

Now the timber processing and manufacturing company is coming to the market in a placing to raise £1.6m for expansion and to cut debt.

The studio division, which also supplies the television and advertising industries, accounts for sales of about £1m. Total sales in 1993 were £6.88m (£5.33m) for pre-tax losses down from £359,000 to £90,000.

Its biggest activity is the provision of timber products to housebuilders.

Ellis & Partners is placing 53.4m shares at 3p apiece, representing 63 per cent of the enlarged capital and valuing the Staffordshire-based company at £2.52m.

Eidos cuts annual loss to £77,000

Eidos, the USM-quoted developer of video compression and decompression software, has announced that arrangements for its proposed £582,000 1-for-10 rights issue had been completed.

Dealings in the rights nil paid commenced yesterday.

The announcement coincided with publication of the company's results for the year to end-December 1993, when pre-tax losses were cut from £190,449 to £76,928 on turnover up from £110,200 to £130,872.

Net interest payable and similar charges totalled £2,246, against income of £3,550 last time. Losses per share worked through at 3.38p (8.66p).

The directors said the net proceeds of £517,000 from the rights issue would be used first to repay the company's outstanding borrowings of £42,500 with the balance being used to fund research and development and marketing plans.

Dares Estates on the recovery road

Dares Estates, the property investment and development group, reported a pre-tax deficit of £369,000 for the 1993 year, against losses of £22.4m in the previous 12 months.

The accounts, again prepared on a going concern basis, showed operating profits of £5.1m (losses of £9.21m) from turnover of £6.84m (£5.53m). Profits on the termination of operations contributed £3.3m, against losses of £3.18m. Interest payable amounted to £8.76m (£10.43m).

Losses per share were reduced from 66.54p to 0.69p.

Greenwich Comm losses little changed

Greenwich Communications, the USM-traded group which installs satellite TV receiving equipment in Portugal and is involved in property rental in the UK, reported losses little changed at £24,000 for the six months to February 28, against £23,000 last time.

Mr Alfred Stirling, chairman, said the Portuguese subsidiary was still feeling the effects of the recession and the delayed launch of the new NEC product range for Europe.

Mr Stirling said the company had achieved a settlement of the outstanding litigation and all claims against the company had been dropped.

Losses per share came to 0.34p (0.31p).

Pilot Trust net asset value at 141.6p

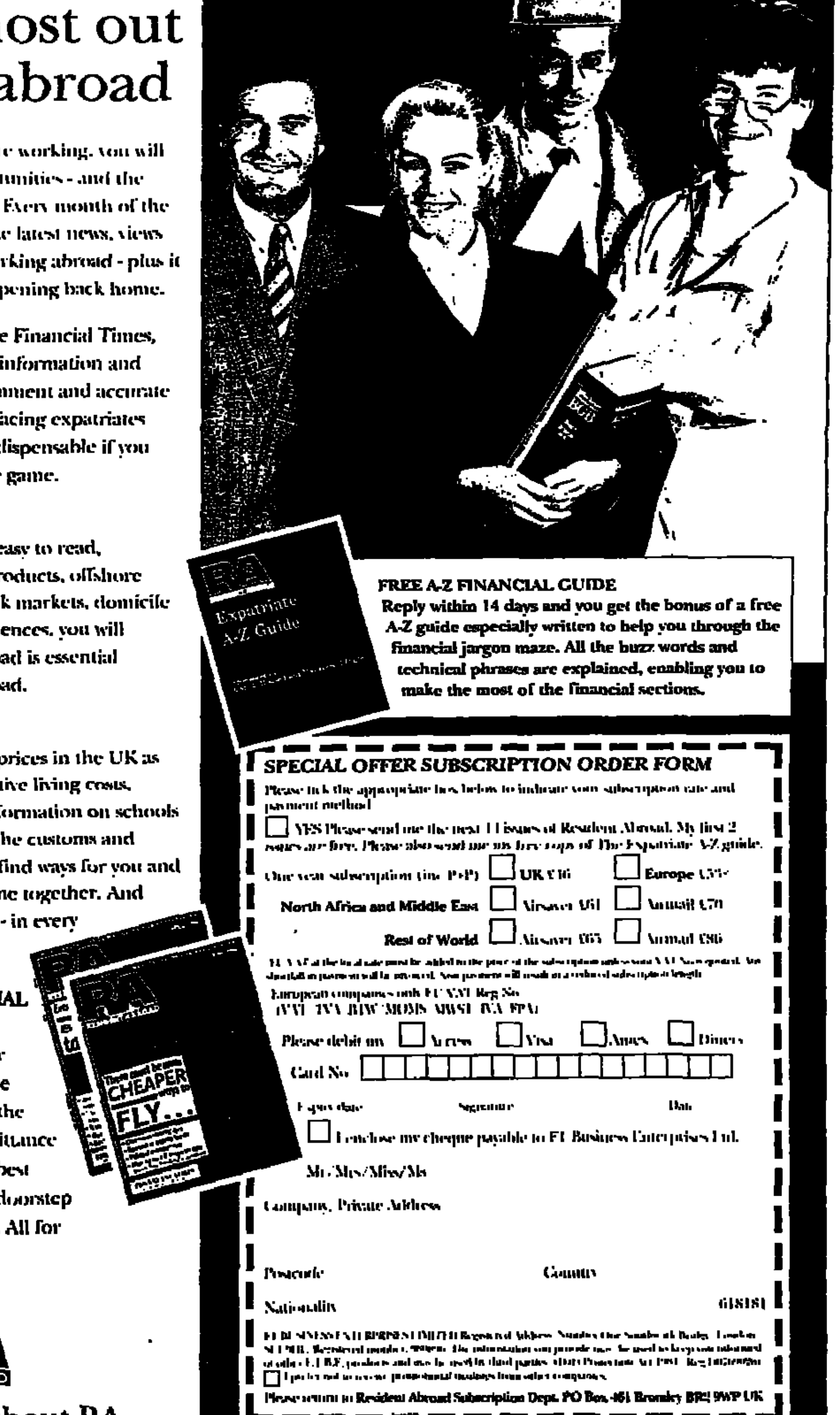
Pilot Investment Trust, the smaller companies fund, reported a net asset value of 141.6p per ordinary share and 107.8p per C share at the March 31 period end.

Net revenue for the period from incorporation on January 14 1993 to the end of March was £498,000. Earnings per share worked through at 1.93p.

The directors declared a second interim dividend of 0.9p along with a recommended final dividend of 0.1p, making a total of 1.5p.

The C shares, issued in November 1993, raised £15.4m and at the period end some 80 per cent of this had been invested, the directors said.

The C shares were converted on May 31 1994 into 11.5m ordinary shares, which will qualify for the second interim and final dividends.



Commodities' underlying trend remains strong

By Our Commodities Staff

The overall trend remained strong in the commodity markets yesterday. Gold continued its rise while leading base metals touched fresh peaks before running into profit-taking. Oil prices rallied after sustaining early falls. The biggest losers were coffee and cocoa, which surrendered some of last week's advances in thin trading.

Gold prices surged upwards in London following the pattern set in New York, where in late trading on Friday the precious metal moved up sharply. According to dealers this US lift-off for gold was caused by a combination of higher grains, oil and base metals prices coinciding with weakness in the US dollar and bond markets.

The gold price reached $391 a troy ounce at the London morning "fixing", the highest "fix" for three months. But it opened weaker in New York and a wave of fund selling on the New York Commodity Exchange caused uncertainty during the London afternoon "fixing" session. Instead of lasting only a few minutes the session went on for 40 minutes, according to one dealer the longest "fix" since August 1992. However, the volume of trade was not big.

The London price closed at 390.40 an ounce, up $3.20 from Friday's close. Analysts said there was very strong technical resistance between $392 and $395 an ounce and gold would have to work hard to break through that level.

Copper reached a 21-month peak of $2,477 a tonne on the London Metal Exchange in early trading but then some investment funds decided to take their profits after the metal's recent heady performance and halted the rise. However, the important technical support at $2,420 a tonne held firm and copper for delivery in three months closed only $7 a tonne down at $2,438.50.

Aluminium was affected by copper's weakness but dealers said speculative interest was still being attracted to a market whose fundamentals were improving daily. Three-month metal closed yesterday another $4 a tonne up at $1,474.50 on the LME.

The International Primary Aluminium Institute helped to steady the market when it reported that average daily production in countries outside the former Soviet bloc fell by another 500 tonnes in May to 38,900 tonnes. That was the third successive monthly fall.

The fall has followed the agreement reached between some of the big aluminium producing countries early this year to cut output so as to reduce the huge stocks that have been depressing prices.

Oil prices weakened somewhat in early trading before recovering most of their losses. The price of the benchmark Brent blend was $17.40 a barrel in late London trading, near its $17.41 closing level last Friday.

It fell to $17.18 at one point in the day, but traders said bullish factors still dominated the market in spite of an apparent easing of tension with North Korea, the main factor behind last week's price rally.

Coffee and cocoa futures fell sharply on profit-taking after last week's gains. But trading volumes were thin, and there were bursts of buying in coffee at lower levels.

At the London Commodity Exchange, the robusta contract for September delivery ended $52 lower at $2,282 a tonne, well below the morning peak of $2,362 but off the low of $2,257.

LCE Cocoa prices followed coffee's fall. The second position finished down £14 a tonne at £1,022 after trading in a £30 range.

Bio-technology offers a safer, more secure world

Widespread fears that safeguards already in place are inadequate are probably based on ignorance

FARMER'S VIEWPOINT

By David Richardson

Bio-technology designed to produce genetically-modified organisms via the manipulation of deoxyribonucleic acid is not just a mouthful – it is beyond the wit of most people to comprehend.

Reduce that acid to its initials, DNA, and its meaning becomes slightly more accessible to the average person. DNA is, after all, constantly being quoted as a means of solving violent crime through genetic fingerprinting. And most of us, I suppose, are vaguely aware that it has something to do with our bodily make-up and with food and farming.

But multi-syllabic words and scientific jargon are a big turn-off for most people, and as we do not understand them we tend to fear the techniques they describe. They conjure-up images of bespectacled boffins in white coats and dangerous-looking laboratories. I confess to having had some of those same fears until the commonplace nature of bio-technology in everyday foods was explained to me.

I am assured, for instance, that it is possible to extract the DNA from an onion using table salt, washing-up liquid, a normal household liquidiser, a coffee filter and very little else. Furthermore, it can be done in any kitchen or, as is already happening, in third-form school chemistry classes.

Not all of those people who defy concern over cholesterol and eat cheese may be aware that the traditional way to promote the initial curdling of milk is to add a small quantity of rennet, an enzyme extracted from a calf's stomach. Bio-technology has now made it possible to produce an exact copy of chymosin, the necessary enzyme, which is indistinguishable from the original in both make-up and function, and, following approval by the UK government's Advisory Committee on Novel Foods and Processes, it is increasingly being used in cheese-making, much to the delight, I imagine, of the animal welfare lobby.

Other foods and drinks whose production involves the use of living organisms, like yeast – such things as bread and beer – will also soon benefit from improved versions of raw material that are the result of bio-technology.

My own particular interest, however, is in the field of plant breeding. In the past – and it has been going on for centuries – the development of improved varieties has been done by the selection of desirable characteristics in individual plants and crossing them with one another in the hope that the result would be favourable.

In recent years, however, it has become possible to identify the qualities required from DNA analysis and achieve more accuracy in the breeding process. Plant breeders can now select far more specifically than before for such things as milling quality in wheat; resistance to debilitating fungal disease; tolerance to certain pests; and the ability to yield well with lower levels of fertiliser.

Ultimately, for it still takes many years for these characteristics to be fixed and for the resulting seed to be multiplied to sufficient quantity for it to be made widely available, this work will lead to crop varieties that will require lower inputs of chemicals and fertilisers and therefore be more environmentally friendly. It will also open new doors for agriculture.

Take oilseed rape, for instance. Genetic manipulation, which will make it one of the most versatile crops in the world, is well advanced. By modifying the gene mix for different purposes, scientists are already confident that the oils produced by the different strains they are developing can become general purpose, environment-friendly, feed stocks for industry.

It could not only be used for cooking and lubrication, as at present, but also for the manufacture of plastics, polymers, pharmaceuticals, inks, detergents, nylon, cosmetics and probably many more. And, unlike the mainly fossil-based raw materials used for those processes at present, oilseed rape would amount to a renewable resource.

Scientists say that bio-technology will be our only hope as the population of the world doubles during the next 50 years. That to have any chance of putting food into those new mouths and to be able to continue to enjoy the conveniences of modern life, it is vital that the *developments* they can foresee continue to be introduced.

But 20th century successors to the Luddites see dangers. Their fears, as mine were, are probably based on ignorance. They are not satisfied that the mass of safeguards already in place will protect them from some horror being released into the environment – fears which I have been persuaded are groundless.

The government's response is to organise a Consensus Conference of interested but uninvolved people to assess the evidence during the coming autumn and come to conclusions in November.

It is a welcome and appropriate step, which I for one hope will promote a public debate in which some of the mystique and misunderstanding about bio-technology will be dispelled.

Given proper regulation and controls, the new technology is likely to produce a safer, more secure and more environment-*friendly* world.

World Bank accused of attempting raid on gene reserves

Geoff Tansey on a row over control of germplasm, a vital resource for the world's plant breeders

Some 40 major environmental and development NGOs (non-governmental organisations) have accused the World Bank of attempting a coup to take over control of the 500,000 crop samples held in gene banks in the various international agricultural research centres, such as the International Rice Research Institute in the Philippines and the Mexico-based International Research Centre for Wheat and Maize, which developed the green revolution varieties of rice and wheat.

The row over who controls this germplasm – a vital resource for future plant breeding and a major asset gathered from the poor farmers and countries of the world – looks set to dominate an international meeting on biological diversity that began in Nairobi yesterday.

The NGOs want the second session of the Intergovernmental Committee of the Convention on Biological Diversity to ensure that control over these germplasm collections stays with an intergovernmental body run on a one nation one vote system and that recognises farmers' rights.

> The row looks set to dominate an international meeting on biological diversity that began in Nairobi yesterday.

Agreement on such a body was expected to be endorsed at a meeting of the Consultative Group on International Agricultural Research in New Delhi at the end of May after post-UN Conference on Environment and Development negotiations between the UN Food and Agriculture Organisation's Commission on Plant Genetic Resources and the individual research centres.

However, this was rejected at the consultative group meeting, at which the bank sought to strengthen its "leadership" of the international agricultural research system.

The research centres are funded by the consultative group – an informal group of donors mainly from the industrialised countries and international agencies, which is chaired by the bank – and faces the worst funding crisis in its 23-year history. Funding fell by 7 per cent ($18m) last year and another 6 per cent fall is projected for this year.

As part of its support to the group, the Bank announced in New Delhi that it would forgive existing debts, increase its normal grant to $40m and offer to match new funds from other donors up to a total of $60m. It also announced the creation of a new $2.5bn fund over five years for lending to national agricultural research linked to the consultative group.

Along with this cash came the creation, for the first time in its 23 years, of a group steering committee chaired by the bank. It also announced that it would consult the World Trade Organisation about the intellectual property provisions in General Agreement on Tariffs and Trade and the disposition of the group's germplasm.

The NGOs see this as aimed at preventing intergovernmental control of the germplasm, which will become increasingly important once countries begin charging for collecting crops within their borders. If they set high prices then searching out materials from the existing collections will become more important for users.

At present, the legal status of the research centres' collections is not clear. Countries where they are based, such as the Philippines, which hosts IRRI for example, might be tempted to exert national control over the collections if they feel that developing countries will be kept out of policy-making over the use of these collections, according to René Vellvé of Grain (Genetic Resources Action International).

In a statement on plant genetic resources to the Nairobi meeting, Ismail Serageldin, Chairman of the consultative group and a vice president of the World Bank, confirms that the research centres "should not seek to benefit financially from the commercialisation of germplasm, but should help developing countries obtain financial benefit when opportunities occur".

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE
(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1444.5-5.5	1474-5
Previous	1441-2	1470-1
High/low		1486/1463
AM Official	1441.5-2	1470.5-1.5
Kerb close		1475-6
Open int.	273,816	
Total daily turnover	67,616	

■ ALUMINIUM ALLOY ($ per tonne)

	Cash	3 mths
Close	1450-60	1465-70
Previous	1455-65	1465-75
High/low		1465
AM Official	1445-60	1460-70
Kerb close		1465-70
Open int.	2,954	
Total daily turnover	613	

■ LEAD ($ per tonne)

	Cash	3 mths
Close	546-7	564-4.5
Previous	542.5-3.5	559.5-60
High/low	541	567.5/558
AM Official	541-1.5	558.5-9
Kerb close		
Open int.	37,714	
Total daily turnover	8,072	

■ NICKEL ($ per tonne)

	Cash	3 mths
Close	6485-95	6580-5
Previous	5440-50	6535-40
High/low	6490	6700/6505
AM Official	6485-90	6590-6
Kerb close		6500-5
Open int.	58,410	
Total daily turnover	16,917	

■ TIN ($ per tonne)

	Cash	3 mths
Close	5590-600	5670-80
Previous	5585-95	5660-5
High/low		5756/5640
AM Official	5575-80	5655-60
Kerb close		5650-60
Open int.	16,540	
Total daily turnover	3,938	

■ ZINC, special high grade ($ per tonne)

	Cash	3 mths
Close	995-6	1020-1
Previous	984-5	1009-10
High/low	999	1026/1017
AM Official	999-9.5	1024-4.5
Kerb close		1017-8
Open int.	106,337	
Total daily turnover	24,990	

■ COPPER, grade A ($ per tonne)

	Cash	3 mths
Close	2428-9	2438-9
Previous	2437-8	2445-6
High/low	2432	2477/2415
AM Official	2432-3	2441-1.5
Kerb close		2435-6
Open int.	223,071	
Total daily turnover	55,261	

■ LME AM Official £/$ rate: 1.5406
LME Closing £/$ rate: 1.5380

Spot:1.5385 3 mths:1.5364 6 mths:1.5345 9 mths:1.5334

■ HIGH GRADE COPPER (COMEX)

	Close	Day's change	High	low	Open int	Vol
Jun	112.15	-1.40	112.15	111.00	418	128
Jul	112.15	-1.45	112.45	110.70	24,070	7,361
Aug	112.20	-1.50	112.00	111.20	702	2
Sep	112.30	-1.55	112.60	111.00	24,607	6,515
Oct	111.25	-1.40	111.10	110.20	275	8
Nov	111.20	-1.30	-	-	239	4
Total					68,552	15,425

PRECIOUS METALS

■ LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold (Troy oz.)	$ price	£ equiv.
Close	390.20-390.60	
Opening	390.70-391.20	
Morning fix	391.00	255.022
Afternoon fix	389.30	253.253
Day's High	393.20-393.60	
Day's Low	389.00-389.50	
Previous close	388.00-388.40	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month ....4.01 6 months 4.35
2 months ....4.07 12 months 4.84
3 months 4.12

Silver Fix	p/troy oz.	US cts equiv.
Spot	364.45	560.50
3 months	368.80	566.45
6 months	373.45	572.75
1 year	385.65	589.75

Gold Coins	$ price	£ equiv.
Krugerrand	388-391	255-257
Maple Leaf	399.85-402.35	-
New Sovereign	89-92	58-61

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Open int	Vol
Jun	389.9	-2.7	391.0	389.6	791	165
Jul	389.5	-2.8	-	-	-	-
Aug	[illegible]					
Oct	[illegible]					
Dec	[illegible]					
Feb	[illegible]					
Total	[illegible]					

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

[illegible]

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

[illegible]

■ SILVER COMEX (100 Troy oz.; Cents/troy oz.)

[illegible]

ENERGY

■ CRUDE OIL NYMEX (42,000 US galls. $/barrel)

[illegible]

■ CRUDE OIL IPE ($/barrel)

[illegible]

■ HEATING OIL NYMEX (42,000 US galls; c/US galls)

[illegible]

■ GAS OIL IPE ($/tonne)

[illegible]

■ NATURAL GAS NYMEX (10,000 mmBtu; $/mmBtu.)

[illegible]

■ UNLEADED GASOLINE NYMEX (42,000 US galls.; c/US galls)

[illegible]

GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Jun	118.25	-0.56	118.00	115.25	175	13
Sep	101.50	-0.65	102.15	102.15	475	10
Total	[illegible]					

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

[illegible]

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

[illegible]

■ BARLEY LCE (£ per tonne)

[illegible]

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

[illegible]

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

[illegible]

■ SOYABEAN MEAL CBT (100 tons; $/ton)

[illegible]

■ POTATOES LCE (£/tonne)

[illegible]

■ FREIGHT (BIFFEX) LCE ($10/index point)

	Sett price	Day's change	High	Low	Open int	Vol
Oct	1340	+2	1345	1333	491	38
Jan	1368	+16	1355	1345	228	6
Apr	1366	-3	1370	1360	87	10
Total					2,517	175

	Close	Prev
BFI	1311	1311

Tea
There was very strong demand, particularly for brightest East Africans, which often gained 10 to 15 pence, reports the Tea Brokers' Association. Medium and plainer Africans were also well supported at generally dearer rates. Brighter Ceylon bopf's also advanced with other descriptions firm. There was improved demand for coloury Ceylon bopf's, which often gained several pence, but bop's and thin, green types met limited interest and were mainly easier where sold. The few Africans on offer were dearer. Quotations: best available 260p/kg, good 170p/kg, good medium 148p/kg, medium 122p/kg, low medium 88p/kg. The highest price realised this week was 325p/kg for a Rwanda pd.

SOFTS

■ COCOA LCE (£/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Jul	1000	-15	1020	995	14,431	1,570
Sep	1022	-14	1044	1014	19,134	3,269
Total	[illegible]					

■ COCOA CSCE (10 tonnes; $/tonnes)

[illegible]

■ COCOA (ICCO) (SDR's/tonne)

[illegible]

■ COFFEE LCE ($/tonne)

[illegible]

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

[illegible]

■ COFFEE (ICO) (US cents/pound)

[illegible]

■ No7 PREMIUM RAW SUGAR LCE (cents/lbs)

[illegible]

■ WHITE SUGAR LCE ($/tonne)

[illegible]

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

[illegible]

■ COTTON NYCE (50,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Oct	76.38	-1.34	77.60	75.72	7,294	1,507
Dec	75.13	-1.44	76.45	74.60	30,843	4,350
Mar	76.12	-1.43	77.30	75.69	3,830	343
May	76.40	-1.47	77.40	76.10	2,033	265
Jul	76.85	-1.37	77.80	76.85	675	120
Total					62,802	4,233

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Jul	89.90	+0.40	91.50	88.75	7,559	877
Sep	92.55	+0.30	94.50	91.50	8,794	1,432
Nov	94.50	-0.25	98.50	94.00	2,080	315
Jan	97.25	+0.70	98.25	95.50	3,201	182
Mar	99.25	+0.75	100.00	98.00	1,298	87
May	101.25	+0.30	101.25	100.00	53	3
Total					23,985	2,881

VOLUME DATA
Open Interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears.

INDICES

■ REUTERS (Base: 18/9/31=100)

Jun 20	Jun 17	month ago	year ago
2026.5	2029.4	1971.8	1674.3

■ CRB Futures (Base: 4/9/56=100)

Jun 17	Jun 16	month ago	year ago
239.38	237.28	233.69	205.50

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Jun	64.950	-0.150	65.850	64.600	3,372	827
Aug	64.200	+0.225	64.900	63.300	32,061	3,779
Oct	67.975	+0.350	68.500	67.150	16,342	2,495
Dec	69.150	-0.125	69.950	68.500	10,904	1,113
Feb	69.900	-0.275	70.700	69.400	7,505	855
Apr	70.975	-0.250	71.600	70.500	3,454	318
Total					74,271	9,414

■ LIVE HOGS CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Jun	48.825	-0.200	49.025	48.400	987	322
Jul	48.475	-0.450	49.100	48.050	7,393	2,440
Aug	47.625	-0.675	48.700	47.125	8,779	1,491
Oct	44.450	-0.275	45.000	44.100	4,257	422
Dec	44.675	-0.025	44.850	44.250	3,275	182
Feb	44.275	-0.100	44.500	44.125	813	117
Total					28,237	5,030

■ PORK BELLIES CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Jul	43.475	-0.475	44.400	43.150	3,610	1,165
Aug	43.350	-0.375	44.200	43.000	3,945	894
Feb	48.275	-0.275	49.000	48.200	491	84
Mar	47.100	+0.100	47.100	-	37	4
May	50.450	-0.050	50.450	49.800	32	1
Jul	50.700	-0.200	50.700	50.000	12	2
Total					8,129	2,144

LONDON TRADED OPTIONS

Strike price $ tonne	Calls		Puts	
■ ALUMINIUM (99.7%) LME	Aug	Nov	Aug	Nov
1450	51	91	36	53
1475	39	78	48	64
1500	28	66	63	77
■ COPPER (Grade A) LME	Aug	Nov	Aug	Nov
2400	87	115	55	109
2450	62	93	79	135
2500	43	74	109	165
■ COFFEE LCE	Jul	Sep	Jul	Sep
2200	229	267	147	209
2250	203	244	171	236
2300	180	226	198	267
■ COCOA LCE	Jul	Sep	Jul	Sep
975	77	112	30	47
1000	63	97	41	57
1050	40	73	68	83
■ BRENT CRUDE IPE	Aug	Sep	Aug	Sep
1650	105	-	26	45
1700	61	86	37	62
1750	49	-	-	91

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel/Aug)

		+or-
Dubai	$16.16-6.25q	+0.21
Brent Blend (dated)	$17.37-7.39	+0.22
Brent Blend (Aug)	$17.36-7.38	+0.21
W.T.I. (1pm est)	$19.54-9.56q	+0.14

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

Premium Gasoline	$186-187	
Gas Oil	$158-159	+2
Heavy Fuel Oil	$78-80	+0.5
Naphtha	$164-166	+1.5
Jet Fuel	$169-171	+2.0

Petroleum Argus Estimates

■ OTHER

Gold (per troy oz)♣	$390.40	+2.20
Silver (per troy oz)♣	551.50c	-4.00
Platinum (per troy oz.)	$408.25	+2.50
Palladium (per troy oz.)	$138.75	+0.35
Copper (US prod.)	118.0c	+2.0
Lead (US prod.)	35.75c	-1.11
Tin (Kuala Lumpur)	14.44m	+0.07
Tin (New York)	258.50c	-2.00
Zinc (US Prime W.)	Unq.	
Cattle (live weight)†	124.72p	-3.17*
Sheep (live weight)†♠	105.53p	-7.90*
Pigs (live weight)	80.72p	-1.73*
Lon. day sugar (raw)	$312.70	+3.30
Lon. day sugar (wte)	$360.00	-0.60
Tate & Lyle export	£316.00	-1.00
Barley (Eng. feed)	£105.5t	
Maize (US No3 Yellow)	$143.0	
Wheat (US Dark North)	£180.0	
Rubber (Jul)♥	77.25p	-1.50
Rubber (Aug)♥	77.75p	-1.00
Rubber(KL RSS No1 Jul)	274.00m	-1.50
Coconut Oil (Phil)§	$640.0z	+15.0
Palm Oil (Malay.)§	$537.5q	+27.5
Copra (Phil)§	$408.0	
Soyabeans (US)	£187.0z	+2.0
Cotton Outlook A Index	86.35c	-0.20
Wooltops (64s Super)	422p	

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. q Aug. t Oct/Dec z Jun/Jul. w Jul. ♥ London Physical. § CIF Rotterdam. ♣ Bullion market close. ♠ Sheep (Live weight prices). * Change on week, provisional prices.

CROSSWORD

No.8,485 Set by ALAUN

ACROSS
1 Girl with whom I am returning home (6)
4 To order Italian vermouth would be to court trouble (3,3,2)
9 Going back with a gun to appropriate all the money (6)
10 Shoo off the mule wandering about in the vineyard (8)
12 Number took the route misguidedly through the marsh (8)
13 Having a skill that a gauche person never could? (6)
15 Scarecrows are meant to frighten it – and do! (4)
16 A bracing shower and a drink? (5,5)
19 Getting leave when through with the job (10)
20 Don't remain unmoved by the commotion (4)
23 Taking less care with the breakfast food (6)
25 Suggestive of the state handout there's a split about (8)
27 A fat sailor is boarding when you embark (5,3)
28 The mother, I interposed, is more friendly (6)
29 Some, caught in the act, took to their heels (8)
30 Asked humbly for breakfast in bed (6)

DOWN
1 Being custom-built helped to bring it about (4,3)
2 Irritability I'm going to indulge (3,6)
3 Wrings from, as a divorcee does (6)
5 A drink you'd rather not have in the garden (4)
6 Back up (4,4)
7 The proportion that didn't get the full allowance (5)
8 Animals allowed to be sent up in a satellite (7)
11 Take her up river and find her somewhere else to stay (7)
14 Spotted many going inside with a guide (7)
17 Tying the thing to a tree, clumsily (9)
18 Matchwood held to be really first class (4-4)
19 Read through and turned to account (7)
21 Didn't keep the appointment (7)
22 The sun appeared at one, to cheer one up (6)
24 The heavy walk that is a characteristic feature (5)
26 Recovering ourselves by a subterfuge (4)

Solution to Saturday's prize puzzle on Saturday July 2.
Solution to yesterday's prize puzzle on Monday July 4.

LONDON STOCK EXCHANGE

MARKET REPORT

Heavy setback on renewed inflation concerns

By Terry Byland,
UK Stock Market Editor

A sudden wave of inflation concerns, reflected in setbacks in bond markets across Europe, hit UK stocks hard yesterday. At midsession the equity market was heading for its worst one-day fall of the year, but losses were significantly reduced when UK government bonds steadied, helped by similar trends in the US dollar and Federal securities.

The FT-SE 100 Index closed 51.8 off at 2,971.1, but had earlier shown a fall of 85.3 for a session's low of 2,937.6. Renewed fears that inflation pressures in the US will herald a general raising of global interest rates left no sector of the stock market unscathed on the first day of *the new equity trading* account.

However, trading volume was relatively mild and there was no question of panic selling. London fared better than the German stock market, where the prospect of a switch to upward pressures on interest rates came as more of a shock.

Weakness in the US dollar was a bearish factor for the multi-national stocks, and Unilever, ICI, Hanson, HSBC and many other big names suffered significant losses. Even the *oil shares sector, which at first* responded strongly as US crude oil prices moved above $20 a barrel, reacted later as the US stock market continued to come under pressure. The Dow Jones Industrial Average was 30 points off when the UK markets closed for the day.

As so often in current market conditions, much of the downward pressure was exerted from stock index futures. Selling of the September *contract on the Footsie, which* took over market leadership on Friday, drove the contract to a discount as marketmaking firms struggled to protect themselves against a collapsing stock market.

The FT-SE Mid 250 Index closed 48.4 down at 3,478.7 but, with the focus strongly on blue chip stocks, trading in non-Footsie issues made up only about 48 per cent of total business in equities. Seaq volume totalled only 460.1m shares, compared with 736.8m on Friday, when retail business was worth £1.46bn.

Traders warned that the low level of turnover in the market yesterday should not be taken as cause for comfort. "There was no time to sell much stock," commented one head dealer, "but the selling was done in the futures markets."

At last night's close, the FT-SE 100 *Index was just over 39 points* above the year's low reached at the beginning of this month.

Below the year's low of 2,931.9 is an unsupported area for the index, with the nearest support level not clearly visible much above Footsie 2,800.

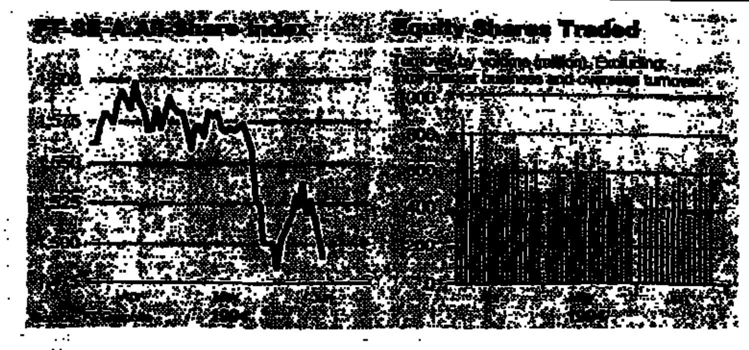
UK market strategists found it difficult to draw heart from yesterday's rally from the session's lows. London stocks clearly remained vulnerable to the next move in bonds, and suggestions of decoupling suddenly sounded even less convincing.

Moreover, it was clear that securities markets are now highly nervous of the gains in commodity prices, which are likely to continue as the recoveries in world industrial economies gather pace.

Domestic factors, including the announcement that new mortgage commitments by *UK building* societies had edged higher to £3.39bn in May, were largely ignored yesterday. Markets also appeared unperturbed by prospects for Britain's non-EU trade deficit for May which is due for publication this morning. For the near term, there is little doubt that trends in the UK stock market are at the mercy of the US bond markets.

Account Dealing Dates		
*First Dealings:		
Jun 6	Jun 20	Jul 4
Option Declarations:		
Jun 16	Jun 30	Jul 14
Last Dealings:		
Jun 17	Jul 1	Jul 15
Account Day:		
Jun 27	Jul 11	Jul 25

*New time dealings may take place from two business days earlier.



■ Key Indicators

Indices and ratios

FT-SE 100	2971.1	-51.8	FT Ordinary index	2316.1	-56.9
FT-SE Mid 250	3478.7	-48.4	*FT-SE-A Non Fins p/e*	19.01	(19.32)
FT-SE-A 350	1496.4	-24.9	FT-SE100 Fut Jun	2973.0	-40.0
FT-SE-A All-Share	1491.12	-23.89	10 yr Gilt yield	8.93	(8.75)
FT-SE-A All-Share yield	3.95	(3.89)	Long gilt/equity yld ratio:	2.25	(2.21)

Best performing sectors		Worst performing sectors	
1 Oil Exploration & Prod	+0.2	1 Water	-2.8
2 Building & Const	+0.1	2 Diversified Inds	-2.6
3 Engineering	-0.2	3 Merchant Banks	-2.4
4 Distributors	-0.5	4 Transport	-2.4
5 Engineering, Vehicles	-0.5	5 Telecommunications	-2.4

Profits boost for Steel

The spotlight fell on British Steel as analysts hastened to upgrade profits and dividend expectations after the group returned to profit with figures at the top end of market expectations.

The shares responded by rising 5¼ to 139p and it was the day's best performing stock among FT-SE 100 constituents as 11m shares were traded.

Profits for the year to April 1994 came in at £80m, against a loss of £149m in the previous year, but it was the 50 per cent increase in the final dividend, making a year's total of 2p, which brought most surprise.

Analysts were pleased by the positive tone of the results meeting and said the new legal challenge to the European Commission asking it to adhere more strictly to its Steel Aid code was a sign of the renewed confidence at the group.

The upgrading of current year expectations moved the range from a previous £199m to £300m, to £270m to £325m, while that of the dividend moved from previous expectations of 3p to a new range of 4p to 5.5p.

GKN bought

Engineering group GKN, which yesterday returned to the premier list of FT-SE 100 companies, was among a handful of stocks that bucked the poor market trend. The shares gained 7¼ at 594p in trade of 1.4m, with a large part of the day's buying said to have come from index funds.

Sentiment was further boosted by reports of a positive note from Kleinwort Benson and the stock basked in some of the glow surrounding British Steel. The two jointly own steel company United Engineering Steels.

Higher oil prices and a broker's upgrade failed to stop British Petroleum sliding 7½ to 404p, with around 7m shares traded. The market was believed to be fretting over the future of the near 10 per cent stake held by the Kuwait Investment Office (KIO).

With the shares ending last week at an all-time high, there was a strong argument that the Emirate's international investment arm might want to take profits from its 546m-share holding. However, some analysts said the stake was a prestige holding for the country and very unlikely to be offloaded at a time of political uncertainty.

Meanwhile, Nomura's oils team raised its 1994 average oil price forecast by a dollar to $17 a barrel and advised clients to make a short-term switch from Shell Transport into BP because of the respective benefits to earnings. The Japanese house said BP's 1995 earnings will improve by 18.4 per cent because of the rise in oil prices but Shell's profits will only rise by half as much.

The dividend race between the regional electricity companies (recs) continued apace, with East Midlands producing a healthy 16.4 per cent increase, although profits slumped after a hefty exceptional charge. The pre-tax figure of £51.2m was at the bottom end of market expectations and followed a £129.5m charge taken against restructuring costs. The company also announced plans to seek shareholder approval to buy back up to 10 per cent of its issued share capital.

The East Midland performance was described as "moderately good" by analysts, although the shares slid back with the weak utilities sector, closing 9 down at 568p. Manweb, which reports today, rose 3 to 679p. Analysts are looking for profits of around £130m and a final dividend of 22.5p.

Among water stocks, Wessex held up well, closing just a penny off at 608p. The market is anticipating a bumper dividend payout from the company at today's finals, with some optimistic analysts pencilling in 24.5p, against last year's 21.5p. Profits should come in at around £163m.

Elsewhere, the sector weakness was compounded by several stocks going ex-rights.

Pharmaceuticals group Glaxo fell 15½ to 563½p following sharp rises recently. There was some nervousness over a statement that the company was considering legal action against plans by Novopharm, the Canadian pharmaceutical group, to market a generic version of its best-selling ulcer treatment drug Zantac in the US.

TSB Group held steady at 225p in response to a reiterated recommendation from SGST and ahead of half-year figures on Thursday. The market is expecting a profit of around £215m - up from £80m previously - because of a sharp fall in bad debt provisions. Traders said there was also talk that Nomura was recommending the stock.

Elsewhere, former building society Abbey National was *pulled back in early trading* after cautious weekend press comment on the recovery in the housing market. But the shares recovered from a low of 405p to close 7½ off at 415p.

In the oil sector, the possibility of a successful bid for Lasmo by Enterprise continued to recede in spite of a shaky rumour earlier in the day that S.G. Warburg had been asked to buy 10 per cent of Lasmo's shares. By the close Enterprise had firmed a half to 415p while Lasmo added a penny at 150p.

Thorn EMI was the subject of some debate as the market *awaited the verdict on two* important cases this week. First, the George Michael versus Sony court case is due to be decided in the next few days, with Thorn supporters hopeful of a positive outcome for Sony and in their view the record industry as a whole. Later in the week, the Monopolies and Mergers Commission's report into compact disc prices is also expected, with leaks from official sources hinting that the record companies will escape censure over pricing. Thorn shares slumped with the market, but later rallied to close 20¼ down at 1089p.

Speculative buying buoyed up Shoprite Group, the discount supermarket operator, the shares gaining 6 to 65p.

Channel tunnel operator Eurotunnel remained under a cloud as talk that a large part of the £858m rights issue may be left with the underwriters continued. The shares relinquished another 5 to 288p. The *rights issue price is 265p.*

There were selective gains among building and construction groups following the hefty setbacks suffered last week on the back of interest rate rise fears. Among housebuilders and developers, Taylor Woodrow advanced 3 to 125p, AMEC 9 to 118p, Barratt Developments 5 to 198p and Beazer Homes steady at 147p.

USM-quoted Border Television rose 15 to 184p after a recommendation in the weekend press.

MARKET REPORTERS:
Peter John,
Christopher Price,
Joel Kibazo.

■ Other statistics, Page 25

NEW HIGHS AND LOWS FOR 1994

NEW HIGHS (23).
BLDG MATLS & MCHTS (1) Halstead (J.), DISTRIBUTORS (1) Norbain, DIVERSIFIED INDLS (1) Anglo Agencies, ELECTRNC & ELECT EQUIP (1) Plasmec, EXTRACTIVE INDS (7) INVESTMENT TRUSTS (1) Sphere Zero Prf., LIFE ASSURANCE (1) MEDIA (1) Metro Radio, OIL EXPLORATION & PROD (1) Bridge Oil, OTHER SERVS & BUSNS (1) RETAILERS, GENERAL (2) Sam, Liberty, SUPPORT SERVS (1) Manpower Inc., TEXTILES & APPAREL (2) Dewhirst, Wensum, AMERICANS (1) SOUTH AFRICANS (1)
NEW LOWS (448).
GILTS (46) OTHER FIXED INTEREST (2) BANKS (2) BREWERIES (3) Bass, Fosters, Vaux, BUILDING & CNSTRN (31) BLDG MATLS & MCHTS (19) CHEMICALS (6) AGA AB, BTP, Scapa, Wardle Storeys, DISTRIBUTORS (9) BSS, Bearing Power, Caffyns, Central Motor Auctns., Charles Sidney, Diploma, European Motor, ISA, Time Products, DIVERSIFIED INDLS (10) ELECTRNC & ELECT EQUIP (8) ENGINEERING (13) ENG. VEHICLES (3) EXTRACTIVE INDS (4) Ashanti, Kingstream Res., Orion Res., Perseverance Corp., FOOD MANUF (10) GAS DISTRIBUTION (1) Calor, HEALTH CARE (3) AAH, Greenacre, Scholl, HOUSEHOLD GOODS (4) Black (P), Reckitt & Colman, Do 9½pc Cv. Bond, Silentnight, INSURANCE (8) Allianz AG, GA, GRE, HCG Lloyds, JIB, Sedgwick, INVESTMENT TRUSTS (140) INVESTMENT COMPANIES (13) LEISURE & HOTELS (1) Magnolia, LIFE ASSURANCE (3) Lloyds Abbey, Refuge, Old Friendly B, MEDIA (11) MERCHANT BANKS (4) OIL EXPLORATION & PROD (1) Villiers, OIL, INTEGRATED (1) Shell Trans. 7pc Prf., OTHER FINANCIAL (7) PHARMACEUTICALS (2) PRTNG, PAPER & PACKG (9) Carnaud Metalbox, Crest Pckg., Lawson Mardon, Plysu, RPC, SCA, Sogic, Sfora, PROPERTY (36) RETAILERS, FOOD (2) RETAILERS, GENERAL (11) SPIRITS, WINES & CIDERS (5) Grand Met., Guinness, Macydown, SUPPORT SERVS (5) TELECOMMUNICATIONS (5) Cable & Wireless, Security Services, Vodafone, TEXTILES & APPAREL (2) Harlstone, Readicut, TOBACCO (1) BAT Inds., TRANSPORT (6) WATER (6) East Surrey, Thames, Welsh, York Waterworks, Yorkshire, AMERICANS (2) CANADIANS (7).

EQUITY FUTURES AND OPTIONS TRADING

The sharp setback in European bond markets on renewed fears on US inflation hit the derivatives sector, sending stock index futures falling heavily, *writes Joel Kibazo.*

On its first full day as the *market leader, the* September contract on the FT-SE 100 opened at 2,985, and after a brief rise to 2,989 in the first few minutes of the session, *the direction was downwards* for most of the day.

The prospect of higher interest rates to counter US inflation triggered a sell-off in bond markets which in turn affected sentiment in futures. Independent, or local, traders were said to have led the downward movement, with the large institutions reported to have been unwilling to take part in market activity for a large part of the day.

The low was reached at 1.30pm when September fell to 2,937.6, showing a 12 point discount to cash. The steadying in bonds brought a sharp rally to the contract but renewed selling at the close curtailed a further advance. The contract ended trading at 2,973, at parity with the cash market, in heavy volume of 20,768 lots.

The strong activity in the derivatives sector brought turnover of 43,379 lots to the traded options. Some 26,001 were dealt in the FT-SE 100 option and the Euro FT-SE had 8,471 lots dealt. Hanson was the busiest stock option with a total of 1,239 contracts.

■ FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	2985.0	2973.0	-40.0	2989.0	2930.0	20768	49947
Dec		2982.0	-40.0				982

■ FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

Sep		3465.0	-60.0			0	3898

■ FT-SE MID 250 INDEX FUTURES (OMLX) £10 per full index point

Sep		3475.0					577

All open interest figures are for previous day. † Exact volume shown.

■ FT-SE 100 INDEX OPTION (LIFFE) [illegible]

■ EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) [illegible]

■ EURO STYLE FT-SE MID 250 INDEX OPTION (OMLX) [illegible]

TRADING VOLUME

■ Major Stocks Yesterday

	Vol. 000s	Closing price	Day's change
ASDA Group†	5,500	55	-¾
Abbey National†	1,300	415	-7½
Albert Fisher	498	52	-1
Allied-Lyons†	1,500	565	-2½
Anglian Water	1,222	480	-9
Argos	229	381½	-4½
Argyll Group†	2,800	244	-3
Arjo Wiggins	3,100	254	-1½
Assoc. Brit. Foods†	395	508	-3
Assoc. Brit. Ports	158	232	-3
BAA†	1,100	916	-9½

LONDON EQUITIES

LIFFE EQUITY OPTIONS

Option		Calls Jul	Calls Oct	Calls Jan	Puts Jul	Puts Oct	Puts Jan
Allied-Lyons	540	34½	50	–	7	18	–
(*564)	580	8½	26½	–	31	41	–
Argyll	240	13	23½	26½	7½	13	17

Option		Calls Aug	Calls Nov	Calls Feb	Puts Aug	Puts Nov	Puts Feb
Hanson	240	16½	17	19½	7	13	16½
(*242)	260	4	8	11½	20½	25	28½
Lasmo	134	18	24	–	3½	7	–

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	0	68	4
Other Fixed Interest	0	5	10
Mineral Extraction	44	75	81
General Manufacturers	53	296	311
Consumer Goods	8	87	97
Services	44	197	267
Utilities	3	34	9
Financials	24	202	147
Investment Trusts	20	329	121
Others	5	96	32
Totals	201	1,389	1079

Data based on those companies listed on the London Share Service.

TRADITIONAL OPTIONS

First Dealings	June 13	Last Declarations	Sept. 15
Last Dealings	June 24	For settlement	Sept. 26

Calls: Amstrad, Birse, Dunton, Greenwich Res., Hanson Wts., London Fin. & Inv, Ovoca Res., Tullow Oil Puts & Calls: Hanson Wts., Micro Focus, Ovoca Res.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1994 High	1994 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
§120	F.P.	89.7	123	115½	Aero. Hamble	122		W3.74	2.8	3.8	12.1
161	F.P.	46.1	166	160	Amey	165		LN1.08	0.8	8.4	29.9
255	F.P.	144.9	267	256	Argent	264	-2	–	–	–	–

RIGHTS OFFERS

FT-SE Actuaries Share Indices — The UK Series

		Year ago	Div. yield%	Earn. yield%	P/E ratio	Xd adj. ytd	Total Return
FT-SE 100	[illegible]	2909.4	4.16	6.99	17.08	52.31	1110.90
FT-SE Mid 250	[illegible]	3218.5	3.57	5.89	20.57	63.77	1283.83
FT-SE Mid 250 ex Inv Trusts	[illegible]	3236.8	3.73	6.37	19.16	55.57	1281.21
FT-SE-A 350	[illegible]	1446.3	4.02	6.73	17.74	25.64	1146.55
FT-SE SmallCap	[illegible]	1639.55	3.07	3.99	32.16	22.46	1411.86
FT-SE SmallCap ex Inv Trusts	[illegible]	1616.47	3.22	4.36	29.97	23.01	1399.86
FT-SE-A ALL-SHARE	1491.12	1431.49	3.95	6.53	18.35	25.00	1160.74

■ FT-SE Actuaries All-Share

■ Hourly movements

■ FT-SE Actuaries 350 Industry baskets

FT GOLD MINES INDEX

FINANCIAL TIMES EQUITY INDICES

LONDON SHARE SERVICE

BANKS

	Notes	Price	+ or -	1994 high	1994 low	Mkt Cap£m	Yld Gr's	P/E
ABN Amro Fl		£28[illegible]	-[illegible]	£29[illegible]	£20[illegible]	6,149	5.4	♦
ANZ A$		185¼	-10¼	278¼	185¼	2,471	5.0	14.3
Abbey National	N□	415	-7½	523	381	5,444	4.2	14.0
Allied Irish I£	♠N□	243	-1	314	240	1,601	6.2	9.3
Anglo Irish I£	♠N□	52xd	—	[illegible]	50	176.9	8.3	9.5
Asahi Y		720	-11¼	761¼	628	16,708	0.6	♦
Banco Bil Viz Pta		£14[illegible]	-[illegible]	£16[illegible]	£14[illegible]	3,414	5.6	6.7
Banco Sant Pta		£22[illegible]	—	£29[illegible]	£22¾	4,222	4.9	♦
Bk Ireland I£	♠□	265xd	-1	319	245	1,239	5.0	7.8
Bank Scotland	♠N□	188xd	-2½	247	172½	2,190	3.4	15.2
9¼pc Pf		114¼	-½	141½	114¼	114.8	10.1	—
9¾pc Pf		120	-½	149½	119½	120.0	10.2	—
Barclays	♠N□	546	-15½	640	487	8,889	3.5	22.6
Dai Ichi Kan Y		£12[illegible]	-[illegible]	£12[illegible]	£10[illegible]	38,785	0.4	68.7
Deutsche DM		£282¼	-[illegible]	£344¼	£281½	13,492	2.1	—
Espirito Santo		£18[illegible]	-[illegible]	£26[illegible]	£18¼	192.7	4.3	4.5
First Nat Fin	N□	76	—	[illegible]	60	125.1	2.5	—
6.3pc Cv Pf		80xd	—	90	77	5.35	9.8	—
7pc Cv Pf		141xd	—	171	123	69.9	6.2	—
Fuji Bank Y		1485¼	-25¼	1549¼	1152½	42,782	0.4	♦
HSBC HK	N□	714	-14	1133	687	12,495	4.1	12.3
HSBC (75p Shs)	N□	694	-12½	1113	668	5,576	4.2	12.0
Lloyds	N□	561½	-2	690	530	7,243	4.9	11.9
Mitsubishi Y		£16[illegible]	-[illegible]	£18[illegible]	£15[illegible]	46,919	0.3	♦
Mits Tst & Bk Y		1036½	-42½	1162¼	667½	13,323	0.5	18.7
Mitsui Tst & Bk Y		780	-27	878	514	9,466	0.7	28.9
Nat Aust A$	†	571	-17¼	620¼	511	6,836	4.8	12.1
NatWest	N□	463	-8½	622	421	7,704	5.0	10.6
Ottoman FFr		£23[illegible]	—	£33	£23½	117.5	6.2	♦
Ryl Bk Scotland	♠†N□	432xd	+3	528	382½	3,443	3.5	19.5

BREWERIES

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

CHEMICALS

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ELECTRONIC & ELECTRICAL EQPT - Cont.

ENGINEERING

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

FOOD MANUFACTURERS

GAS DISTRIBUTION

HEALTH CARE

HEALTH CARE - Cont.

HOUSEHOLD GOODS

INSURANCE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

OTHER INVESTMENT TRUSTS

INVESTMENT COMPANIES

LEISURE & HOTELS

LEISURE & HOTELS - Cont.

LIFE ASSURANCE

MEDIA

MERCHANT BANKS

OIL EXPLORATION & PRODUCTION

OIL, INTEGRATED

OTHER FINANCIAL

OTHER SERVICES & BUSINESSES

PHARMACEUTICALS

PRINTING, PAPER & PACKAGING

PROPERTY - Cont.

RETAILERS, FOOD

RETAILERS, GENERAL

SPIRITS, WINES & CIDERS

SUPPORT SERVICES

TELECOMMUNICATIONS

TEXTILES & APPAREL

TOBACCO

TRANSPORT

TRANSPORT - Cont.

WATER

AMERICANS

CANADIANS

SOUTH AFRICANS

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OFFSHORE INSURANCES

GUERNSEY (SIB RECOGNISED)

IRELAND (REGULATED)(**)

JERSEY (SIB RECOGNISED)

IRELAND (SIB RECOGNISED)

LUXEMBOURG (SIB RECOGNISED)

MANAGEMENT SERVICES

JERSEY (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

BERMUDA (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

ISLE OF MAN (REGULATED)(**)

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Thornton Unit Managers Ltd - Contd.

Waverley Unit Tst Mngmt Ltd (1000)F

13 Charlotte Sq, Edinburgh

Whittingdale Unit Tst Mngmt Ltd (0850)F

2 Honey Lane, London EC2V 8BT

Woolwich Unit Trust Managers Ltd (1700)H

2 White Oak Square, Swanley BR8 7AG

OTHER UK UNIT TRUSTS

Baillie Gifford & Co Ltd

INSURANCES

Abbey Life Assurance Co Ltd - Contd.

Pension Funds

Abbey National Life Plc

287 St Vincent Street, Glasgow 041 305 8000

Acuma Life Assurance Ltd

42 Southwark Bridge Road, London SE1 9HE 071 620 3435

AEGON Life Assurance Co (UK) Ltd

Century Life Plc

Friends Provident

Irish Life Assurance Co Plc - Contd.

MGM Assurance (c)

Norwich Union Life Insurance Soc. - Contd.

Prudential Individual Pension Funds

FT MANAGED FUNDS SERVICE

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Scottish Mutual Assurance plc

109 St Vincent St, Glasgow 041-248 6321

	Bid Price	Offer Price	+ or -	Yield Gross
Fixed End Jun 14	1812.5	1882.4	—	—
Pen Mngd May 31	1325.6	[illegible]	—	—
Safety Fund	220.7	232.4	-1.10	—
Growth Fund	221.2	[illegible]	[illegible]	—
Opportunity Fund	214.1	225.4	-3.00	—
Worldwide Venture Fnd	174.6	[illegible]	-4.00	—
UK Equity Fund	[illegible]	[illegible]	[illegible]	—
UK Smaller Cos. Fund	[illegible]	[illegible]	-1.0	—
European Fund	[illegible]	343.4	[illegible]	—
Far Eastern Fnd	[illegible]	[illegible]	-4.70	—
Japanese Fnd	150.4	158.4	[illegible]	—
North American Fund	230.8	[illegible]	-5.80	—
International Fund	[illegible]	[illegible]	-8.20	—
Gilt & Fxd Int Fund	[illegible]	[illegible]	-0.4	—
Index-Linked Fund	171.6	180.7	-1.10	—
Property Fund	129.9	136.8	-0.10	—
Cash Fund	172.2	181.3	+0.10	—
Pens Safety Fnd	264.6	278.6	-2.10	—
Pens Growth Fnd	236.1	248.6	-3.90	—
Pens Opportunity Fnd	237.1	249.6	-3.80	—
Pens W'wide Venture Fnd	[illegible]	[illegible]	-5.40	—
Pens UK Equity Fnd	227.8	[illegible]	-3.50	—
Pens UK Smlr Co's Fnd	[illegible]	214.7	-1.00	—
Pens European Fnd	[illegible]	[illegible]	-7.80	—
Pens Far East Fnd	406.1	427.5	-6.30	—
Pens Japanese Fnd	149.3	156.2	-3.9	—
Pens Nth American Fnd	[illegible]	[illegible]	-6.30	—
Pens International Fnd	[illegible]	[illegible]	-8.10	—
Pens Gilt/Fxd Int Fnd	224.1	235.9	[illegible]	—
Pens Index-linked Fnd	177.3	[illegible]	-1.00	—

Sun Alliance Group - Contd.

CMI Insurance Co Ltd - Contd.

Scottish Provident Intl Life Ass Ltd - Contd.

Hambros Fd Mgrs (CI) Ltd

Yamaichi Capital Management (Guernsey) Ltd

Dresdner International Mngt Services Ltd

Capital House Fund Mgrs - Contd.

IRELAND (SIB RECOGNISED)

MANAGEMENT SERVICES

LUXEMBOURG

OFFSHORE INSURANCES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

GUERNSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

IRELAND (REGULATED)(**)

JERSEY (SIB RECOGNISED)

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Scrimgeour Kemp-Gee Mngmt., Jersey

TSB Trust Funds (CI)

Warburg Asset Management Jersey Ltd

Worldinvest (Managers) Jersey Ltd

LUXEMBOURG (SIB RECOGNISED)

Fleming Group - Contd.

Foreign & Colonial Emerging Markets Ltd (u)

Gartmore Luxembourg SA (u)

HSBC Investment Funds Luxembourg SA (u)

S.G. Warburg Asset Mngmt Lux SA

LUXEMBOURG (REGULATED)(**)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

CURRENCIES AND MONEY

MARKETS REPORT

Dollar slides

The dollar struggled to keep off its lowest level against the D-Mark in eight months yesterday after negative market sentiment forced it through technical and psychological barriers, *writes Motoko Rich.*

The markets held a grudge against the dollar after its downward performance on Friday when an independent think tank in New York said the US currency could drop by 10 per cent against the D-Mark within the next 18 months. Traders flirted with the dollar's lows against both the D-Mark and the yen, and awaited concerted central bank intervention, which was not forthcoming.

In London the dollar closed at DM1.5986 against the D-Mark from DM1.6299, and at Y101.970 from Y103.495.

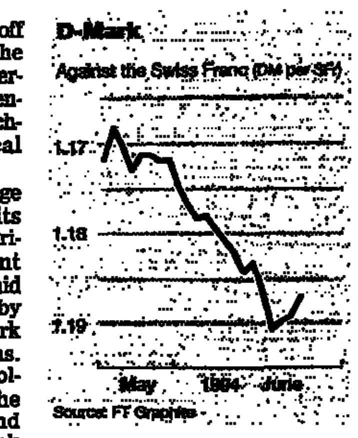
Meanwhile the D-Mark was gaining strength on a fall-out in the European bond and equity markets and optimism that Germany's economy is in recovery.

■ The US currency extended its Friday losses against the D-Mark as bearish traders rattled at central bankers' doors and pushed the dollar through new technical support levels. The dollar also slid against the yen on the back of its downturn against the D-Mark.

"There was no news to trigger the dollar's fall," said Mr David Cocker, economist at Chemical Bank. "When you have a large fall like last Friday, you would expect to see some profit taking, and that is exactly what happened. It rallied a little bit, but not much, so the traders sold it again."

By the close of European trading there had not been concerted central bank intervention to support the dollar. Earlier in the day, Bundesbank president Mr Hans Tietmeyer declined to comment on the US currency, dampening expectations of Bundesbank action.

Mr Cocker said the US currency will need central bank intervention before it will rally. "To see a turn-around in the dollar you need to see the Fed raising rates above the short-term German rates," said Mr Cocker. "To say we do not have an active devaluation policy is not enough. They need to talk the dollar higher."



Source: FT Graphite

■ **Pound in New York**

Jun 20	—Latest—	– Prev. close –
£ spot	1.5380	1.5345
1 mth	1.5372	1.5337
3 mth	1.5359	1.5342
1 yr	1.5293	1.5260

Attention today will be turned toward the US trade balance. Analysts expect that if the figures are bad, traders will continue to sell off dollars.

"The US trade figures will take on an importance not justified by itself," said Ms Alison Cottrell, senior international economist at Midland Global Markets. "The markets are nervous and thin and the trade figures are the only thing to look at."

■ While the market has been shunning the dollar, the D-Mark has come into favour. "The market is re-rating prospects for the D-Mark," said Mr Neil MacKinnon, economist at Citibank. "We have seen many indications that the German economy has turned the corner."

He said the markets have sensed German interest rates have bottomed out and are forecasting the next rate move will be upwards. With generally disappointing economic indicators emerging from the US in the last few weeks, the market has also trimmed its expectations for Fed tightening.

A blood bath in European bonds fuelled by Friday's fall in US Treasuries, rising commodity prices and fears of inflation gave the D-Mark a further boost as investors fled to cash. "Of course they could be buying any currency but investors seem happiest to be in D-Marks," said Mr Cocker.

German call money remained steady at 5.00 to 5.05 per cent.

■ The dollar's weakness also benefited the Swiss franc which closed higher against the US currency. The dollar fell through the Sfr1.3500 level, its lowest since October 1992. Against the Swiss franc, the dollar closed at SFr1.3488/3498 from 1.3740/50.

Swiss franc/D-Mark cross trading was thin, and the franc ended the day weaker against the D-Mark. The D-Mark closed at SFr0.843, from SFr0.841 on Friday.

■ Sterling was unable to break away from its link to the dollar and was quoted below the crucial level of DM2.46 at some points during the day.

"The pound has weakened steadily against the D-Mark because people are buying D-Marks against the dollar rather than sterling against the D-Mark," said Ms Cottrell.

UK statistics on M4 money supply and lending, as well as building society net new mortgage commitments, had little effect on the market as investor attention focused on the flailing bond and stock markets and the spiralling dollar.

The pound closed down in London at DM2.4606 against the D-Mark from DM 2.4765 and up at $1.5393 from $1.5195.

While remaining quiet in early sessions, the Bank of England provided liquidity of £78m at established rates and late assistance of £295m after forecasting a shortfall of £450m. The overnight lending rate traded between 6 and 4½ per cent.

In the futures market, trading volumes were high at 24,800 on the December short sterling contract, which closed at 93.70 from 93.75. The December Euromarket contract traded 32,000 lots to close at 94.78, from 94.81.

■ **OTHER CURRENCIES**

Jun 20	£	$
Hungary	157.455 - 157.880	102.3100 - 102.410
Iran	2655.00 - 2663.00	1748.00 - 1750.00
Kuwait	0.4562 - 0.4575	0.2964 - 0.2972
Poland	34519.7 - 34654.1	22430.0 - 22510.0
Russia	3018.57 - 3026.26	1961.00 - 1966.00
U.A.E.	5.6418 - 5.6533	3.6715 - 3.6735

POUND SPOT FORWARD AGAINST THE POUND

Jun 20	Closing mid-point	Change on day	Bid/offer spread	Day's Mid High	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	Bank of Eng. Index
[illegible]												

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Jun 20	Closing mid-point	Change on day	Bid/offer spread	Day's mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	J.P. Morgan Index
[illegible]												
Philippines (Peso)	27.1000	-	000 - 000	27.3000	26.9000	-	-	-	-	-	-	-
Saudi Arabia (SR)	3.7504	-0.0003	501 - 506	3.7507	3.7501	3.751	-0.2	3.753	-0.3	3.7657	-0.4	-
Singapore (S$)	1.5275	-0.006	270 - 280	1.5301	1.5270	1.5268	0.6	1.5265	0.3	1.5285	-0.1	-
S Africa (Com.) (R)	3.6418	-0.0085	410 - 425	3.6500	3.6285	3.6573	-5.1	3.6856	-4.8	3.7623	-3.3	-
S Africa (Fin.) (R)	4.7250	-0.035	150 - 350	4.7450	4.7100	4.7587	-8.6	4.8175	-7.8	-	-	-
South Korea (Won)	809.700	+1.95	400 - 000	810.000	807.900	812.7	-4.4	816.2	-3.2	834.7	-3.1	-
Taiwan (T$)	27.0498	-0.0037	485 - 510	27.0520	27.0485	27.0898	-0.9	27.1098	-0.9	-	-	-
Thailand (Bt)	25.1000	-0.08	900 - 100	25.1500	25.0900	25.1725	-3.5	25.3	-3.2	25.78	-2.7	-

†SDR rate for Jun 17. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Jun 17. Base average 1990=100

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Jun 20		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	19.04	16.58	4.851	2.005	4800	5.439	21.09	505.0	404.5	23.42	4.090	1.971	4.234	3.094	309.3	2.529
Denmark	(DKr)	52.52	10	8.707	2.548	1.053	2521	2.856	11.08	265.2	212.4	12.30	2.148	1.035	2.224	1.593	162.4	1.328
France	(FFr)	60.32	11.49	10	2.926	1.209	2895	3.281	12.72	304.6	244.0	14.13	2.467	1.189	2.554	1.830	186.6	1.526
Germany	(DM)	20.61	3.925	3.417	1	0.413	989.4	1.121	4.348	104.1	83.38	4.827	0.843	0.406	0.873	0.625	63.75	0.521
Ireland	(I£)	49.88	9.498	8.269	2.420	1	2394	2.713	10.52	251.9	201.8	11.68	2.040	0.983	2.112	1.513	154.3	1.262
Italy	(L)	2.063	0.397	0.346	0.101	0.042	100.	0.113	0.439	10.52	8.427	0.488	0.085	0.041	0.088	0.063	6.444	0.053
Netherlands	(Fl)	18.39	3.501	3.048	0.892	0.369	882.6	1	3.878	92.86	74.37	4.306	0.752	0.362	0.779	0.558	56.87	0.465
Norway	(NKr)	47.41	9.027	7.860	2.300	0.950	2276	2.579	10	239.4	191.8	11.10	1.939	0.935	2.007	1.438	146.6	1.199
Portugal	(Es)	19.80	3.770	3.283	0.961	0.397	950.4	1.077	4.176	100.	80.09	4.637	0.810	0.390	0.838	0.601	61.24	0.501
Spain	(Pta)	24.72	4.707	4.098	1.199	0.496	1187	1.345	5.214	124.9	100.	5.799	1.011	0.487	1.047	0.750	76.46	0.625
Sweden	(SKr)	42.70	8.130	7.079	2.072	0.856	2050	2.322	9.007	215.7	172.7	10	1.747	0.842	1.808	1.295	132.1	1.080
Switzerland	(SFr)	24.45	4.655	4.053	1.186	0.490	1173	1.330	5.157	123.5	98.89	5.725	1	0.482	1.035	0.742	75.61	0.618
UK	(£)	50.73	9.659	8.410	2.461	1.017	2435	2.759	10.70	256.2	205.2	11.88	2.075	1	2.148	1.539	156.9	1.283
Canada	(C$)	23.62	4.497	3.915	1.146	0.473	1134	1.284	4.981	119.3	95.53	5.531	0.966	0.466	1	0.716	73.04	0.597
US	($)	32.96	6.276	5.465	1.599	0.661	1582	1.793	6.953	166.5	133.3	7.719	1.348	0.650	1.396	1	101.9	0.834
Japan	(Y)	323.3	61.56	53.60	15.69	6.482	15519	17.58	68.20	1633	1308	75.72	13.22	6.373	13.69	9.809	1000.	8.177
Ecu		39.54	7.526	6.555	1.918	0.793	1898	2.150	8.340	199.7	159.9	9.260	1.617	0.779	1.674	1.200	122.3	1

Yen per 1,000; Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Escudo, Lira and Peseta per 100.

■ **D-MARK FUTURES** (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open Int.
Sep	0.6207	0.6249	+0.0040	0.6258	0.6195	54,107	77,872
Dec	0.6254	0.6250	+0.0039	0.6259	0.6250	388	1,514
Mar	-	-	-	-	-	-	-

■ **JAPANESE YEN FUTURES** (IMM) Yen 12.5 per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open Int.
Sep	0.9810	0.9847	+0.0068	0.9862	0.9795	24,504	54,201
Dec	0.9895	0.9913	+0.0066	0.9923	0.9895	182	2,125
Mar	-	-	-	-	-	-	-

■ **SWISS FRANC FUTURES** (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open Int.
Sep	0.7375	0.7432	+0.0048	0.7450	0.7356	26,320	47,945
Dec	0.7407	0.7442	+0.0052	0.7462	0.7407	477	1,042
Mar	-	-	-	-	-	-	-

■ **STERLING FUTURES** (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open Int.
Sep	1.5314	1.5370	+0.0018	1.5384	1.5268	19,104	39,695
Dec	1.5360	1.5340	+0.0008	1.5352	1.5340	229	299
Mar	-	-	-	-	-	-	-

EMS EUROPEAN CURRENCY UNIT RATES

Jun 20	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Netherlands	2.19672	2.15509	-0.00519	-1.90	5.70	-
Ireland	0.808628	0.794627	+0.001687	-1.73	5.52	12
Belgium	40.2123	39.5874	-0.0836	-1.55	5.33	11
Germany	1.94964	1.92256	-0.00526	-1.39	5.15	-
France	6.53883	6.57385	-0.00185	0.54	3.14	-4
Denmark	7.43679	7.55377	+0.00426	1.57	2.09	-11
Spain	154.250	159.901	+0.322	3.66	0.03	-26
Portugal	192.854	199.975	-0.383	3.69	0.00	-25
NON ERM MEMBERS						
Greece	264.513	291.029	+0.03	10.02	-5.76	-
Italy	1793.19	1905.04	+12.93	6.24	-2.40	-
UK	0.786749	0.781001	+0.004931	-0.73	4.48	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by the Financial Times.

■ **PHILADELPHIA SE £/$ OPTIONS** £31,250 (cents per pound)

Strike Price	CALLS Jul	Aug	Sep	PUTS Jul	Aug	Sep
1.425	11.19	11.10	11.09	-	-	0.04
1.450	8.71	8.66	8.61	-	0.02	0.19
1.475	6.31	6.42	6.74	-	0.18	0.48
1.500	4.00	4.32	4.89	0.16	0.56	0.98
1.525	2.10	2.59	3.31	0.70	1.30	1.84
1.550	0.82	1.40	2.12	1.91	2.54	3.08

Previous day's vol., Calls 69,097 Puts 9,724. Prev. day's open int., Calls 479,284 Puts 362,077

WORLD INTEREST RATES

MONEY RATES

June 20	Over night	One month	Three mths	Six mths	One year	Lomb. Inter.	Dis. rate	Repo rate
[illegible]								

EURO CURRENCY INTEREST RATES

Jun 20	Short term	7 days notice	One month	Three months	Six months	One year
[illegible]						

■ **THREE MONTH EUROMARK FUTURES** (LIFFE) DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	95.00	95.04	+0.01	95.05	95.00	25555	192481
[illegible]							

■ THREE MONTH EUROLIRA INT. RATE FUTURES (LIFFE)

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE)

■ THREE MONTH ECU FUTURES (LIFFE)

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

■ EUROMARK OPTIONS (LIFFE) DM1m points of 100%

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%

■ THREE MONTH PIBOR FUTURES (MATIF) Paris interbank offered rate

■ THREE MONTH EURODOLLAR (LIFFE) $1m points of 100%

[illegible]

UK INTEREST RATES

LONDON MONEY RATES

Jun 20	Over-night	7 days notice	One month	Three months	Six months	One year
[illegible]						

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

[illegible]

BASE LENDING RATES

	%		%		%
Adam & Company	5.25	Duncan Lawrie	5.25	* Roxburghe Guarantee Corporation Limited is no longer authorised as a banking institution.	8
Allied Trust Bank	5.25	Exeter Bank Limited	6.25	Royal Bk of Scotland	5.25
AIB Bank	5.25	Financial & Gen Bank	6	●Smith & Williamson Secs.	5.25
●Henry Ansbacher	5.25	●Robert Fleming & Co	5.25	TSB	5.25
Bank of Baroda	5.25	Girobank	5.25	●United Bk of Kuwait	5.25
Banco Bilbao Vizcaya	5.25	●Guinness Mahon	5.25	Unity Trust Bank Plc	5.25
Bank of Cyprus	5.25	Habib Bank AG Zurich	5.25	Western Trust	5.25
Bank of Ireland	5.25	●Hambros Bank	5.25	Whiteaway Laidlaw	5.25
Bank of India	5.25	Heritable & Gen Inv Bk.	5.25	Yorkshire Bank	5.25
Bank of Scotland	5.25	●Hill Samuel	5.25		
Barclays Bank	5.25	C. Hoare & Co	5.25		
Brit Bk of Mid East	5.25	Hongkong & Shanghai.	5.25		
●Brown Shipley & Co Ltd	5.25	Julian Hodge Bank	5.25		
CL Bank Nederland	5.25	●Leopold Joseph & Sons	5.25		
Citibank NA	5.25	Lloyds Bank	5.25		
Clydesdale Bank	5.25	Meghraj Bank Ltd	5.25		
The Co-operative Bank.	5.25	Midland Bank	5.25		
Coutts & Co	5.25	* Mount Banking	6		
Credit Lyonnais	5.25	NatWestminster	5.25		
Cyprus Popular Bank	5.25	●Rea Brothers	5.25		

● Members of British Merchant Banking & Securities Houses Association
* In administration

MONEY MARKET FUNDS

Money Market Trust Funds

[illegible]

Money Market Bank Accounts

[illegible]

NOTES– Gross: Contractual rate of interest payable, not taking account of the deduction of basic rate income tax. Net: Rate of interest payable after allowing for deduction of basic rate income tax. Gross CAR: Gross rate annualised to take account of compounding of interest paid other than once a year. 'Compounded Annual Rate'. Int Cr: Frequency at which interest is credited to the account.

APPOINTMENTS

LEGAL NOTICES

No. 003371 of 1994
IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION

IN THE MATTER OF
dewnick hunter group plc
-and-
IN THE MATTER OF
THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that a Petition was on 26th May 1994 presented to Her Majesty's High Court of Justice for (i) the confirmation of the reduction of the capital of the above named Company from £4,280,701.80 to £2,500,000 and (ii) the reduction of the Share Premium Account of the Company from £16,079,401.78 to £1,502,401.78.

AND NOTICE IS FURTHER GIVEN that the said Petition is directed to be heard before Mr Registrar Buckley at The Royal Courts of Justice, Strand, London, WC2A 2LL on Wednesday the 29th day of June 1994.

ANY creditor or shareholder of the said Company desiring to oppose the making of an Order for the confirmation of the said reduction of capital should appear at the time of hearing in person or by Counsel for that purpose.

A copy of the said Petition will be furnished to any such person requiring the same by the under mentioned solicitors on payment of the regulated charge for the same.

DATED this 14th day of June 1994.
Gouldens of 22 Tudor Street, London, EC4Y 0JJ
Solicitors for the above named Company.

NO. 003071 of 1994
IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION

IN THE MATTER OF
HAMLEYS plc
-and-
IN THE MATTER OF
THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that an Order of High Court of Justice, Chancery Division dated the 8th June 1994 confirming the cancellation of the amount standing to the credit of the Share Premium Account of the above named Company was registered by the Registrar of Companies on the 10th June 1994.

Dated 21st June 1994
CLIFFORD CHANCE
200 Aldersgate Street,
London EC1A 4JJ
Ref: KO
Solicitors to the Company

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Jun 20 / Sch)

BELGIUM/LUXEMBOURG (Jun 20 / Frs.)

DENMARK (Jun 20 / Kr)

FINLAND (Jun 20 / Mka)

FRANCE (Jun 20 / Frs.)

GERMANY (Jun 20 / Dm.)

ITALY (Jun 20 / Lire)

NETHERLANDS (Jun 20 / Fls.)

NORWAY (Jun 20 / Kroner)

SPAIN (Jun 20 / Pts.)

SWEDEN (Jun 20 / Kronor)

SWITZERLAND (Jun 20 / Frs.)

PACIFIC

JAPAN (Jun 20 / Yen)

AUSTRALIA (Jun 20 / AusS)

HONG KONG (Jun 20 / H.K.$)

MALAYSIA (Jun 20 / MYR)

SINGAPORE (Jun 20 / S$)

NORTH AMERICA

CANADA

TORONTO (Jun 20 / Can $)

4 pm close

MONTREAL (Jun 20 / Can $)

4 pm close

AFRICA

SOUTH AFRICA (Jun 20 / Rand)

Prices supplied by Telekurs

NOTES - Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. Highs/Lows are for 1994, except Toronto & Montreal (daily). # Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

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■ TOKYO - MOST ACTIVE STOCKS: Monday, June 20, 1994

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Oki Electric	8.2m	808	-7	Mitsubishi Hvy	5.1m	782	-16
Isuzu Motors	7.8m	545	-14	Unitika	5.0m	410	+5
Mitsubishi Oil	7.2m	1000	+25	Tokyo Gas	4.1m	506	-9
Sumitomo Metal	6.3m	998	+26	Nippon Steel	4.0m	351	-11
Fuji Heavy Ind	6.2m	507	+7	NKK	4.0m	280	+1

INDICES

US INDICES

Dow Jones	Jun 17	Jun 16	Jun 15	1994 High	1994 Low	Since compilation High	Since compilation Low
Industrials	3776.78	3811.34	3790.41	3978.36 (31/1)	3593.35 (4/4)	3978.36 (31/1/94)	41.22 (2/7/32)
Home Bonds	98.39	98.57	98.45	105.81 (21/1)	98.43 (13/5)	109.77 (18/10/93)	54.99 (1/10/81)
Transport	1652.40	1661.45	1635.85	1862.29 (2/2)	1546.02 (20/4)	1862.29 (2/2/94)	12.32 (8/7/32)
Utilities	182.51	184.95	186.26	227.06 (3/1)	177.76 (12/5)	256.46 (31/8/93)	10.50 (8/4/32)

DJ Ind. Day's high 3821.48 (3830.88) Low 3764.09 (3771.39) (Theoretical) Day's high 3812.81 (3811.88) Low 3775.51 (3785.65) (Actual)

Standard and Poors	Jun 17	Jun 16	Jun 15	1994 High	1994 Low	Since compilation High	Since compilation Low
Composite ‡	458.45	461.93	460.61	482.00 (2/2)	438.92 (4/4)	482.00 (2/2/94)	4.40 (1/6/32)
Industrials♥	533.01	537.06	534.87	580.59 (2/2)	510.05 (21/4)	580.59 (2/2/94)	3.62 (21/6/32)
Financial	46.13	46.57	46.76	48.94 (14/6)	41.39 (4/4)	48.40 (28/8/93)	8.64 (1/10/74)
NYSE Comp.	253.29	254.99	254.14	267.71 (2/2)	243.14 (4/4)	267.71 (2/2/94)	4.46 (25/4/42)
Amex Mkt Val	440.26	441.76	442.27	487.89 (2/2)	427.60 (20/4)	487.89 (2/2/94)	29.31 (9/12/72)
NASDAQ Cmp	729.35	734.97	735.84	803.93 (18/3)	705.51 (20/4)	803.93 (18/3/94)	54.87 (31/10/72)

■ RATIOS

	Jun 17	Jun 10	Jun 3	Year ago
Dow Jones Ind. Div. Yield	2.65	2.68	2.68	2.95
	Jun 15	Jun 8	Jun 1	Year ago
S & P Ind. Div. yield	2.42	2.44	2.47	2.51
S & P Ind. P/E ratio	23.51	23.31	23.41	25.42

■ STANDARD AND POORS 500 INDEX FUTURES $500 times index

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Sep	459.60	457.50	-2.30	460.00	456.10	64,585	186,772
Dec	-	-	-	-	-	-	-
Mar	-	-	-	-	-	-	-

Open interest figures are for previous day.

■ NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Close price	Change on day
Unisys Corp	6,532,400	9	—
Gen Elec	5,721,200	47¾	-¼
Merck	5,613,900	30⅝	-¼
Wal-Mart	5,578,000	24⅛	-⅛
Gen Motors	5,368,500	53⅜	-⅛
AT & T	5,049,400	58⅝	-⅛
Exxon	4,992,200	59	+⅛
Coca Cola	4,510,500	40	-⅛
EMC Corp	4,449,900	14⅛	+1
Compaq	3,886,900	32⅞	-1⅛

■ TRADING ACTIVITY

● Volume (million)

	Jun 17	Jun 16	Jun 15
New York SE	373.408	254.880	269.805
Amex	29.282	17.403	14.879
NASDAQ	278.473	255.385	265.282
NYSE			
Issues Traded	2,819	2,837	2,814
Rises	760	1,151	948
Falls	1,415	950	1,178
Unchanged	644	736	688
New Highs	45	44	42
New Lows	47	44	35

■ CAC-40 STOCK INDEX FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	1893.0	1859.0	-34.0	1900.0	1849.0	43,355	50,846
Jul	1900.5	1865.0	-34.5	1905.0	1847.0	2,100	8,527
Sep	1906.0	1871.0	-35.0	1910.0	1863.5	6,503	15,846

Open interest figures for previous day.

† Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. § The DJ Ind. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

1 pm June 20

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1994 High	Low	Stock	Div	Yld %	P/E	Sls 100s	High	Low	Close Quote	Chg'e Prev. Close
17⅞	14⅛	AAR	0.48	3.3	487	31	15	14⅝	14⅝	-¼
16⅞	13¾	A L Labs A	0.18	1.3	32	12	14	13¾	14	+⅛
69⅞	57⅞	AMP	1.68	2.5	23	1598	u69½	65¾	68	-⅛
72¾	52⅛	AMR			30	2969	59⅝	58⅝	58¾	-½
5	3⅝	ARX			14	242	4⅜	4¼	4¼	
56⅛	38⅝	ASA	2.00	4.5	29	1616	45¼	44⅞	44¾	
31⅞	25⅝	AbbtL	0.76	2.6	17	6830	29¾	29⅛	29⅝	-¼
13¾	11⅞	Abitibi Pr	0.50	4.1	6	20	12¼	12⅛	12⅞	
29⅛	17¾	ABM Ind	0.52	2.2		140	u23⅝	23	23¼	+⅛
13¾	11⅛	Acplncoln			24	33	13¼	13¼	13¼	
31	24½	ACE Ltd	0.44	1.8	4	321	25¼	24⅞	25⅛	-⅜
12½	10⅛	ACM Gvt In	1.09	9.8		153	11⅜	11⅛	11⅛	
10⅛	7⅞	ACM GvOpp	0.80	9.4		56	8½	8⅜	8½	+⅛
10⅝	8⅜	ACM Gvt Sp	0.96	11.0		126	9	8¾	8¾	-⅛
12	9⅞	ACM Gvt Se	1.09	10.6		235	10⅛	10	10⅛	+⅛
11¾	8¾	ACM Man	1.06	11.2		70	9¼	9⅝	9⅝	
9¾	8	ACM Managd	0.72	8.5		832	8½	8½	8½	
15½	8¾	AcmeClv	0.44	4.1	13	113	10¾	10⅞	10¾	-⅛
9¼	6⅝	Acme Elect			5	195	7¼	7	7	
28¾	23	Acordia	0.60	2.1	14	10	28¾	28⅛	28⅞	-¼
9⅞	5¾	Actava	0.36	4.1	2	196	8⅞	8½	8⅞	+¼
15⅝	11¼	Acuson			111	499	14½	14½	14½	
18⅞	16½	Adams Expr	0.48	2.8	0	144	17½	17¼	17¼	-⅛
64	46½	Ad Micro	3.00	5.6		56	54½	53⅞	53⅞	
31¾	16¾	AdvMic	3.00	11.7	11	2667	25⅞	25⅝	25¾	-¼
6⅞	5	Advest Grp	0.16	2.9	8	256	5¾	5½	5½	
20	16⅜	Advo Inc	0.10	0.6	110	57	16½	d16⅜	16½	
57¼	48⅜	Aegon ADR	2.95	5.6	11	45	52⅞	51⅞	52⅞	
65¾	48¾	AetnaL	2.76	4.8	8	1614	58¾	57¼	57¼	-¼
34⅞	25¼	Aflac	0.48	1.4	14	812	34⅛	33⅛	33⅛	-⅞
20¼	16⅝	Ahmanson	0.88	4.5	14	948	19⅝	19⅝	19½	-¼
4	1⅜	Aileen Inc			1	175	2¼	2	2	-¼
49⅞	38⅞	AirPrC	0.98	2.3	23	519	43¼	42⅛	42⅛	-⅞
39⅞	31½	Airbrne Fr	0.30	0.8	27	1268	36¾	35½	36½	-⅞
27⅞	19¾	Airgas Inc			45	375	u27⅞	26	26⅛	-⅝

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3.45 pm June 20

NYSE COMPOSITE PRICES

Continued from previous page

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AMEX COMPOSITE PRICES

3.45 pm June 20

[illegible]

NASDAQ NATIONAL MARKET

3.45 pm June 20

[illegible]

AMERICA

Fresh setback for Dow as dollar declines

Wall Street

US stocks suffered their second big setback in a row yesterday morning as a falling dollar excited fresh concerns over the direction of monetary policy, *writes Frank McGurty in New York.*

By 1 pm, the Dow Jones Industrial Average was down 30.13 at 3,746.65, and the more broadly based Standard & Poor's 500 was 3.15 lower at 455.30.

The secondary markets also registered solid losses, with the Nasdaq composite down 1.19 per cent, or 8.70 points, at 720.65. The American SE composite, off 4.14 at 436.12, held up only a little better.

Activity on the NYSE returned to a more sedate pace after a frenzied "triple witching" session on Friday. By early yesterday afternoon, volume was 137m shares.

The continued weakness of the dollar sent a shiver though the US financial markets, destroying any hopes that stocks would rally on the heels of Friday's 34-point plunge. The market often recovers strongly on the Monday after a triple-witching rout, as the quarterly expiration of options and futures tends to exaggerate any underlying trend.

Yesterday, however, bargain hunters were thin on the ground. Stocks were in retreat from the opening bell amid fears that the Federal Reserve may have no choice but to raise interest rates as early as next month to support the slumping dollar.

The potential impact of such a move on the economy undermined any inclination by the stock market to rally. Bonds were no help either, though the Treasury market was buttressed by a softer tone in commodities.

Amid these cross-currents, economically sensitive stocks were leading share prices in a determined march lower. Deere, a farm-equipment manufacturer, dropped \$1¼ to \$73¼ and Eaton, a supplier of motor vehicle components, lost \$1¼ to \$52¾. Reynolds, the aluminium producer, shed \$1 to \$8¼, while Bethlehem Steel fell \$1 to \$20⅝.

In other Dow industrial issues, Sears dropped \$1¼ to \$47½. However, Philip Morris added \$¼ to \$50⅝ following news of the resignation of its chairman, Mr Michael Miles. He was believed to be an advocate of a proposal to split the food and tobacco businesses into separate companies.

US Healthcare jumped \$1⅝ to \$42⅝ on speculation that Johnson & Johnson was considering a takeover bid for the company, a pioneer in the field of health maintenance organisations. J & J edged \$¼ lower to \$43⅝.

Meanwhile, the Nasdaq gave up more ground as the technology sector stumbled again and financial issues weakened. Cirrus Logic was marked down \$2⅞ to \$28¾, while Atmel receded \$1⅛ to \$24½.

Canada

Toronto fell at midday as the Canadian bond market and dollar declined and the TSE 300 Composite index was 56.75 lower at 4,100.03, in volume of 23.3m shares. Declines outweighed advances by 529 to 116, with 232 issues unchanged.

All 14 sub-groups were down at noon, led by precious metals, financial services, industrial products, metals and oils. Inco was off C\$¼ to C\$35 and Imperial Oil lost C\$⅞ to C\$41⅛, while Placer Dome dropped C\$⅝ to C\$31⅛.

Brazil

São Paulo slipped in nervous trading in the aftermath of the morning's options settlement, and the Bovespa index of the 56 most traded stocks was 202 lower at 32,201 by noon.

MARKETS IN PERSPECTIVE

	% change in local currency †				% change sterling †	% change in US $ †
	1 Week	4 Weeks	1 Year	Start of 1994	Start of 1994	Start of 1994
Austria	-0.04	+0.96	+23.95	-6.68	-3.71	-1.10
Belgium	-1.72	-6.44	+13.48	-4.81	-0.16	+2.54
Denmark	-1.41	-1.37	+18.80	-3.06	+0.40	+3.12
Finland	+0.38	-9.04	+52.73	+6.90	+10.84	+13.83
France	-4.21	-9.71	+5.93	-13.35	-10.41	-7.99
Germany	-3.49	-8.39	+18.24	-10.09	-6.74	-4.21
Ireland	-1.44	-2.34	+14.23	-5.36	-2.45	+0.19
Italy	-8.14	-10.43	+31.32	+12.30	+16.78	+19.93
Netherlands	-2.48	-3.82	+16.70	-6.15	-2.95	-0.33
Norway	-2.39	-10.56	+19.52	-4.35	-1.06	+1.62
Spain	-5.61	-9.16	+13.31	-6.95	-4.06	-1.46
Sweden	-2.75	-6.88	+26.80	+0.21	+3.81	+6.62
Switzerland	-4.27	-3.65	+15.00	-9.14	-4.14	-1.54
UK	-1.31	-3.75	+5.48	-11.08	-11.08	-8.68
EUROPE	-2.97	-5.98	+11.87	-8.67	-6.49	-3.98
Australia	-1.02	-2.78	+17.66	-4.84	+0.26	+2.97
Hong Kong	-0.63	-5.95	+26.74	-24.18	-26.19	-24.20
Japan	+0.12	+3.53	+8.09	+17.45	+23.32	+26.65
Malaysia	+3.93	+2.62	+48.07	-20.28	-19.39	-17.21
New Zealand	-1.19	-0.73	+29.40	-3.44	-0.51	+2.18
Singapore	-0.32	-3.90	+29.20	-11.81	-9.91	-7.47
Canada	-1.09	-2.87	+7.07	-2.27	-9.31	-6.86
USA	-0.07	+0.80	+2.05	-1.58	-4.17	-1.58
Mexico	-3.32	-1.93	+46.38	-9.71	-18.89	-16.70
South Africa	+3.00	+6.19	+49.34	+18.24	+3.76	+6.56
WORLD INDEX	-0.74	-0.38	+7.93	+0.69	+1.41	+4.15

† Based on June 17th 1994.

"The fundamentals tell us that Italy is expensive and not priced to allow for risks of any kind." Mr Robin Griffiths, a senior technical analyst at James Capel in London, wrote this last week – just as the new Italian government was studying ways to respond to a constitutional court ruling on pensions that could cost the government up to L30,000bn. The Milan stock market, doubly concerned about the outlook for interest rates and inflation, led a sick Europe down last week with a drop of 8.1 per cent. Cash calls during the current account areestimated at more than L10,000bn, and there were rumours earlier in the week that domestic stockbrokers were selling equities to cover the cost of losses in the bond markets.

EUROPE

Fearful bourses shaken by roller-coaster ride

Bourses took a frightening roller-coaster ride, led down initially by a near percentage point drop in US bonds after Continental market hours last Friday, *writes Our Markets Staff.*

The gloom thickened on weekend comments suggesting that UK interest rates would soon be on the way up, said Mr John Blackley at James Capel in London. Bond markets around the Continent took fright, fell on heavy selling, and equities followed suit.

In the European afternoon, US Treasuries fell, firmed, and fell back again on profit-taking. Germany's September bund future followed this pattern, said Mr Blackley, falling 110 basis points, and recovering to only 36 points down; but it lost ground again, showing a drop of 68 at 90.37 late in the day.

FRANKFURT's technical analysts offered a dismal prospect after the Dax index fell 81.90, or 4 per cent, to 1,969.82 during the session. If support did not hold at 1,950, said one, 1,750 was the next stop.

As it happened, bonds then staged their intraday recovery and the Ibis-indicated Dax recovered to 1,986.42 after an intraday low of 1,953.15. However, a number of analysts were saying that the index might test 1,950 again today.

Hopes of German economic recovery had been tarnished by a succession of corporate disasters, said observers, in Metallgesellschaft, Schneider and, most recently, Procedo. Banks weakened with Deutsche down DM38.50, or 5.3 per cent to DM693.50 and Dresdner DM26, or 6.9 per cent lower at DM350. Meanwhile, the drop in the dollar below DM1.60 hit Lufthansa, DM13, or 7.4 per cent lower at DM163.

Turnover fell from DM25.6bn, inflated by last Friday's DTB contracts closures, to DM8.9bn.

MILAN saw heavy selling ease late in the day but the Comit index still finished 27.27 or 3.9 per cent lower at 671.63, sharply below the 690 support level.

Among the blue chip losers, Fiat fell L218 to L6,038, in the wake of weekend comments by Mr Lamberto Dini, the treasury minister, who said that the government had not yet discussed the issue of incentives for the motor market.

Mediobanca lost L748 or 4.9 per cent to L14,411. The merchant bank has yet to set a definite price for its rights issue later this week although it had indicated at least L15,000 per share.

PARIS fell sharply, but ended off its lows on short covering, the CAC-40 index falling 32.91, or 1.7 per cent to 2,903.04 after a drop of over three per cent at worst.

Turnover was heavy at FFr5.7bn. Traders said that much of the selling came from French retail investors who had suffered losses on bond holdings held in savings plans.

Transnational partnerships were shaky. Euro Disney hitting FFr14 before recovering to go ex rights and 70 centimes higher at FFr16.25. Eurotunnel's rights issue, meanwhile, seemed to be running into more serious trouble as the shares closed another 45 centimes down at FFr25.20, after a low of FFr23.85.

ZURICH was dragged down by interest rate worries, the weak dollar and derivatives related selling. The SMI index fell 82.6 or 3.1 per cent to 2,545.0, after picking itself up from an intra-day low for the year of 2,512.8.

However, analysts commented that since the index had now convincingly fallen through support at around 2,565, the way could be open for a further decline to around the 2,400-point level.

The interest rate outlook continued to hit banks. CS Holding bearers fell SFr22 to SFr511.
SBC lost SFr16 to SFr363 after Credit Suisse downgraded its 1994 earnings estimate following reports that SBC had lost SFr100m in a currency deal.

AMSTERDAM fell 2.5 per cent to its low for the year, the AEX index losing 9.78 to 382.84.

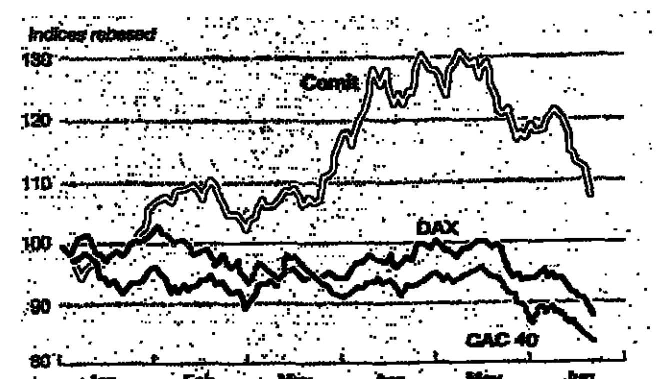
Cyclical stocks were among the hardest hit with Nedlloyd, the shipping line, Fl 3 or 4.5 per cent lower at Fl 64 and KLM Fl 2.20 or 4.4 per cent down at Fl 47.30.

Shares and options in KPN, the partially privatised telecommunications and postal group, were heavy sold by retail investors. The shares lost Fl 1.60 to Fl 47.70.

MADRID recovered from a 3.8 per cent drop to end with the general index down 5.19, or 1.7 per cent at 302.60 after a low of 296.01. Turnover continued to climb, at Pta53.2bn. The food and construction secters seemed to sustain most damage; Tabacalera, after disappointing results recently, fell another Pta165 to Pta3,475 for a six-day fall of nearly 15 per cent.

WARSAW dropped 5.9 per cent as hopes of a recovery, which grew after the previous session, gave way to a renewed lack of confidence. The WIG index fell 492.7 to 7,898.8.

Written and edited by William Cochrane and Michael Morgan



Source: FT Graphite

FT-SE Actuaries Share Indices

Jun 20								THE EUROPEAN SERIES
Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1326.50	1322.18	1314.70	1301.81	1299.81	1300.38	1304.58	1308.43
FT-SE Eurotrack 200	1367.54	1362.87	1360.11	1345.46	1343.18	1343.18	1348.51	1351.88

	Jun 17	Jun 16	Jun 15	Jun 14	Jun 13
FT-SE Eurotrack 100	1350.34	1355.76	1376.41	1383.94	1388.52
FT-SE Eurotrack 200	1389.57	1393.07	1409.06	1419.61	1412.64

Base 1000 (26/10/90); High/day: 100 - 1326.50; 200 - 1367.54 Low/day: 100 - 1295.13 200 - 1338.02

ASIA PACIFIC

Futures-linked sales leave Nikkei down 1.6 per cent

Tokyo

Weaker bond prices and a higher yen depressed investor confidence, and share prices fell sharply on technical selling, *writes Emiko Terazono in Tokyo.*

The Nikkei 225 average declined by 351.27, or 1.6 per cent, to 21,152.03 on futures-linked selling. The index opened at the day's high of 21,515.60 and fell to a low of 21,125.63 in the late afternoon.

Bond prices declined on continued expectations of an economic recovery, while fears that the Bank of Japan had failed to inject enough funds into the money market exacerbated the fall, raising worries of higher interest rates among stock market participants. Meanwhile, the strength of the yen, which rose back to the Y102 range against the dollar, depressed export-related stocks.

Selling of Nikkei futures by foreign investors triggered liquidation of arbitrage holdings. Traders said dealers, who had accumulated positions in the futures market last week on hopes of increased participation by domestic institutions, followed suit. Although individual investors and some domestic institutions sought bargain prices, many investors remained nervous of the large arbitrage overhang.

Volume totalled 410m shares, against 518m. The Topix index of all first section stocks shed 21.06 to 1,684.47, while the Nikkei 300 fell 3.99 to 305.64. Declines led rises by 841 to 215, with 131 issues unchanged. In London the ISE/Nikkei 50 index dipped 14.75 to 1,363.50.

Export-oriented, high-technology shares lost ground on the higher yen. Hitachi slipped Y30 to Y1,060, NEC Y30 to Y1,270 and Sony Y60 to Y6,280.

Oki Electric, a recent favourite among retail investors, was the most actively traded, declining Y7 to Y808.

Rising commodity prices helped mining and oil related stocks. Mitsubishi Oil advanced Y25 to Y1,000 and Sumitomo Metal Mining Y26 to Y998. However, Dowa Mining lost Y7 at Y620 on profit-taking, and Showa Shell Sekiyu, the oil refiner, receded Y40 to Y1,480 on index-linked selling.

Banks declined on arbitrage selling. Industrial Bank of Japan by Y50 to Y3,200 and Mitsubishi Bank Y30 to Y2,680.

Nippon Shoji, a pharmaceutical wholesaler, fell Y80 to Y1,570 on allegations of insider trading among its employees.

Speculative buying supported Nippon Zeon, which rose Y20 to Y595, Hanwa, the steel trader, up Y7 to Y642, and Sanrio, Y30 higher at Y2,090.

In Osaka, the OSE average retreated 222.23 to 23,560.91 in volume of 82.2m shares.

Roundup

Much of the region was under pressure, while Karachi was closed for a two-day religious holiday.

HONG KONG was concerned about the weakness of the US dollar, and the Hang Seng index, which fell more than 150 points at one stage, finished 115.78, or 1.3 per cent, lower at 8,998.18. Turnover was a thin HK\$2.2bn.

Property issues weakened on profit-taking and in further response to government measures to cool rocketing prices. HSBC Holdings dipped HK\$2 to HK\$85 and Cheung Kong HK\$1 to HK\$35.25.

SYDNEY was unnerved by inflation worries and the All Ordinaries index closed 26.8 down at 2,024.4, its lowest level since May 10.

NAB fell 26 cents to a 10-month low of A\$10.68, while ANZ ended down 15 cents at A\$3.91. CBA lost 12 cents at A\$7.51, its lowest close since March 1993, and Westpac fell to a seven-month low of A\$4.34, off 12 cents.

BANGKOK was concerned about rifts within the ruling coalition that could lead the Palang Dharma party to pull out of the coalition. The SET index fell 17.25, or 1.3 per cent, to 1,353.28 in turnover of Bt6.2bn, after Friday's Bt14bn.

KUALA LUMPUR staged a sharp reversal to early gains in the afternoon to close lower as investors took profits. The composite index finished 2.58 down at 1,035.46 after a day's high of 1,041.93.

Construction and Supplies House, which resumed trading after signing a M\$2.59bn timber deal, led activity with 22m shares traded. The stock rose to a high of M\$11.20 before closing at M\$9.60, against its pre-suspension price of M\$7.95.

TAIPEI saw profit-taking in the heavily weighted financial sector, which led last week's rally. The weighted index retreated 121.33, or 2 per cent, to 6,038.41 in turnover that contracted to T\$57.7bn from Friday's T\$68.66bn.

Among the hardest hit financials, China Trust dropped T\$4.5, or 6.3 per cent, to T\$67.5.

MANILA fell 1 per cent as investors waited for new issues to be listed and sentiment was dampened by PLDT's fall overseas. The composite index receded 28.15 to 2,854.68 as PLDT lost 40 pesos at 1,695 pesos.

SINGAPORE turned volatile on rumours that Malaysian Prime Minister Mahathir Mohamad might not call a general election this year.

A report quoting Mr Mahathir as advising investors to avoid speculation on stock market rumours and tips also dampened business, and the Straits Times Industrial index closed 21.73 lower at 2,284.50.

WELLINGTON lost 1.5 per cent in response to weaker world bond and equity markets, particularly in the US and Australia. The NZSE-40 capital index slipped 30.63 to 2,072.70 in typically thin Monday turnover of NZ\$32.8m.

SHANGHAI's A share index fell 5.1 per cent after 200m Shanghai Petrochemical shares made their debut in an already weak market, crushing investor confidence. The index shed 27.23 to 508.61 in turnover of Yn1.1bn.

Petrochemical declined 5.5 per cent to Yn1.91 in volume of 2.3m shares.

SEOUL continued to rally in active trade as hopes about the possibility of summit talks between South and North Korea spurred buying interest.

The composite index moved ahead 16.31 to 942.50 in response to reports that South Korean President Kim Young-sam had accepted a proposal by his Northern counterpart Kim Il-sung for a first-ever summit.

Trading was active, with a total of 49.8m shares changing hands, compared with the daily average of about 31m for the past week.

BOMBAY was buoyed by the better than expected performance of the corporate sector and shares finished at a 26-month peak. The BSE 30-share index climbed 50.4 to 4,332.9.

Johannesburg awaits budget

Stocks in Johannesburg fell sharply, in line with other markets, and ahead of the new government's first national budget tomorrow. The firmer financial rand also depressed equity prices.

Gold's inability to hold a \$392 an ounce high and its subsequent dip below \$390 took the steam out of the golds sector, although shares still managed to end higher on the day. The overall index fell 73 to 5,712 and industrials lost 109 at 6,621. Golds gained 30 at 2,227 after touching 2,273. Anglos came under pressure, shedding R8.50 to R234. De Beers fell R3.25 to R112.75.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Ltd., Goldman, Sachs & Co. and NatWest Securities Ltd. in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	FRIDAY JUNE 17 1994 US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	THURSDAY JUNE 16 1994 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (69)	171.83	0.2	167.85	112.41	145.60	155.60	-0.2	3.54	171.46	167.24	112.00	145.47	155.98	189.15	130.19	134.25
Austria (17)	182.94	0.1	178.49	119.68	155.02	165.42	0.4	1.03	182.72	178.23	119.35	155.02	154.82	195.41	142.90	145.67
Belgium (37)	166.78	-0.5	162.73	109.11	141.32	138.03	-0.6	4.00	167.61	163.48	109.48	142.20	138.83	178.67	142.02	144.86
Canada (106)	126.46	0.4	123.40	82.74	107.17	127.24	0.1	2.66	125.95	122.85	82.27	106.86	127.06	145.31	121.46	126.51
Denmark (33)	254.92	0.6	248.72	166.77	216.01	221.46	0.4	1.33	253.48	247.24	165.57	215.06	220.52	276.79	207.58	216.53
Finland (24)	140.24	2.7	136.83	91.74	118.83	160.06	1.8	0.89	136.52	133.16	89.17	115.83	157.20	156.72	85.54	86.71
France (97)	161.90	-0.2	157.97	105.92	137.19	141.22	-0.3	3.19	162.23	158.24	105.97	137.64	141.71	185.37	149.60	152.71
Germany (58)	134.33	0.1	131.07	87.88	113.83	113.83	-0.1	1.82	134.23	130.93	87.68	113.88	113.88	147.07	107.59	111.85
Hong Kong (56)	370.90	0.6	361.89	242.65	314.30	368.08	0.6	3.22	368.75	359.68	240.87	312.86	366.03	508.56	271.42	282.45
Ireland (14)	185.56	0.1	181.05	121.40	157.24	175.28	0.0	3.47	185.31	180.75	121.04	157.22	175.28	209.33	156.93	160.65
Italy (60)	82.26	-0.1	80.26	53.82	69.71	98.48	0.1	1.63	82.31	80.28	53.76	69.83	98.38	97.78	57.88	66.74
Japan (469)	164.81	0.2	160.81	107.82	139.66	107.82	0.4	0.71	164.46	160.41	107.42	139.53	107.42	166.34	124.54	147.98
Malaysia (98)	489.72	1.2	477.82	320.38	414.98	489.31	1.0	1.88	483.71	471.81	315.96	410.39	484.27	621.63	312.51	334.12
Mexico (18)	1989.04	1.0	1940.68	1301.24	1685.44	7321.17	1.1	1.06	1969.29	1920.82	1286.32	1670.75	7239.88	2647.08	1467.64	1467.64
Netherland (27)	198.45	-0.7	193.63	129.83	168.17	165.65	-0.7	3.43	199.80	194.89	130.51	169.52	166.76	207.43	164.22	167.52
New Zealand (14)	69.39	0.5	67.70	45.39	58.80	62.24	-0.1	3.84	69.04	67.34	45.10	58.58	62.28	77.59	48.80	49.19
Norway (23)	182.55	-0.4	178.11	119.42	154.68	175.40	-0.6	1.88	183.21	178.70	119.67	155.44	176.37	206.42	150.61	154.74
Singapore (44)	340.06	-0.2	331.80	222.47	288.16	240.32	-0.2	1.75	340.69	332.31	222.54	289.05	240.79	378.92	242.48	249.78
South Africa (59)	284.69	0.6	277.76	186.24	241.22	296.18	0.5	2.13	283.10	276.14	184.92	240.19	294.85	284.69	175.99	194.82
Spain (42)	137.31	-1.0	133.97	89.83	116.35	140.40	-1.0	4.12	138.66	135.24	90.57	117.64	141.81	155.79	116.33	128.15
Sweden (36)	209.36	-0.9	204.27	136.97	177.41	242.82	-1.3	1.65	211.21	206.01	137.96	179.19	245.91	231.35	163.85	173.52
Switzerland (47)	157.68	-1.2	153.84	103.15	133.61	133.97	-1.3	1.81	159.59	155.66	104.24	135.39	135.69	176.56	124.46	127.09
United Kingdom (205)	187.26	-0.3	182.71	122.51	158.68	182.71	-0.2	4.11	187.76	183.14	122.64	159.30	183.14	214.96	170.32	177.06
USA (519)	186.91	-0.8	182.36	122.28	158.38	186.91	-0.8	2.87	188.34	183.70	123.02	159.79	188.34	196.04	178.95	183.14
EUROPE (720)	162.86	-0.3	158.90	106.55	138.00	150.76	-0.4	3.10	163.40	159.38	106.73	138.63	151.32	178.58	141.58	144.85
Nordic (118)	201.77	0.0	196.86	132.00	170.97	202.12	-0.4	1.48	201.73	196.76	131.77	171.14	202.85	220.60	156.92	163.09
Pacific Basin (750)	172.39	0.3	168.20	112.78	146.08	117.34	0.4	1.03	171.83	167.70	112.31	145.87	116.92	173.75	134.78	151.64
Euro-Pacific (1470)	168.25	0.0	164.16	110.07	142.57	131.14	0.1	1.87	168.22	164.08	109.88	142.72	131.06	170.78	141.98	148.75
North America (625)	183.16	-0.7	178.71	119.82	155.20	182.82	-0.7	2.88	184.47	179.93	120.50	156.51	184.15	192.73	175.67	179.75
Europe Ex. UK (515)	146.14	-0.4	142.59	95.61	123.83	131.42	-0.5	2.49	146.68	143.07	95.81	124.44	132.09	157.47	122.37	124.99
Pacific Ex. Japan (281)	248.16	0.5	242.13	162.35	210.26	222.86	0.3	2.87	246.85	240.77	161.24	209.45	222.13	298.21	182.38	188.11
World Ex. US (1653)	169.31	0.1	165.20	110.77	143.47	134.47	0.1	1.88	169.22	165.06	110.54	143.57	134.35	172.51	142.94	149.32
World Ex. UK (1967)	172.85	-0.2	168.64	113.08	146.46	147.60	-0.2	2.04	173.25	168.99	113.17	146.99	147.82	175.58	153.22	157.97
World Ex. So. Af. (2113)	173.48	-0.2	169.24	113.48	146.98	149.81	-0.2	2.23	173.88	169.60	113.58	147.52	150.14	178.58	166.00	169.53
World Ex. Japan (1703)	181.38	-0.4	176.97	118.66	153.70	175.15	-0.5	2.91	182.18	177.70	119.00	154.56	175.99	195.20	165.72	167.75
The World Index (2172)	174.14	-0.2	169.91	113.92	147.56	150.69	-0.2	2.23	174.55	170.26	114.02	148.09	151.21	178.97	155.17	159.66

Constituent change with effect 21/6/94: Addition: Cobepa (V V P R). Deletion: Cobepa B (Belgium). Latest prices were unavailable for this edition.